

SK Gas Co., Ltd.

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

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Independent auditor's report

The Shareholders and Board of Directors SK Gas Co., Ltd.

We have audited the separate financial statements of SK Gas Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and 2020, and the separate statements of profit or loss and other comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korea International Financial Reporting Standards ("KIFRS").

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

Basis for opinion

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

An impairment testing on the investments in Ulsan GPS Co., Ltd.

As discussed in Note 2.2.15 to the separate financial statements, management assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, management compares the asset's estimated recoverable amount to its book value to determine whether it is impaired.

Management concluded that there was an indication of impairment to the investments in Ulsan GPS Co., Ltd. because Ulsan GPS Co., Ltd. is unable to generate separate operating cash flows until the construction of LPG/LNG combined thermal power plant is completed and the normal operation is started.

As described in Note 11 to the separate financial statements, management performed the impairment test on the investments in Ulsan GPS Co., Ltd. by comparing the carrying amount of ₩347.8 billion to the value in use calculated based on the discounted cash flow forecast. Key assumptions, such as future sales volume, selling price, fuel costs, and discount rates, have a material impact on the estimation of value-in-use, which involve management's significant judgment. The carrying amounts of related assets are material to the separate financial statements. Also, estimating discounted cash flows is complex, and there are uncertainties exist as significant judgment is involved in determining various inputs with the risk of possible bias in management's judgments. Therefore, we identified the impairment testing on investments in Ulsan GPS Co., Ltd. held by the Company as the key audit matter.

The primary audit procedures we performed to address this key audit matter are as follows:

- Understood key internal controls in the impairment process of investments in subsidiaries
- Reviewed if management's bias is involved in key inputs such as future forecast sales volume, selling price, and purchase cost of fuel used to estimate value-in-use by referring to the Company's business plan and external data.
- Involved valuation specialists to independently calculate the discount rates based on the market and the Company's information to check if there are any significant differences between the discount rates applied by management.
- Obtained the management's sensitivity analysis on the discount rates applied to the discounted cash flow forecasts and assessed for indication of management's bias and the effect of changes in key assumptions on the management's conclusion.

Occurrence and cut-off of domestic LPG sales

The Company's domestic LPG sales mainly arise from LPG gas stations and petrochemical companies. Domestic LPG sales recognized during the year ended December 31, 2021 account for 66% of total sales.

Therefore, the Company identifies performance obligations in the contract with respect to revenue recognition for domestic LPG transactions; it allocates the transaction price to each performance obligation; and it recognizes revenue when such performance obligation is satisfied. The timing of revenue recognition requires the management's judgment.

As a result, there are inherent risks related to sales cut-off due to errors in the management's significant judgment, and as the amount of domestic LPG sales recognized in the separate financial statements is considered significant, the review of the occurrence and cut-off of sales thereof is identified as the key audit matter.

The primary audit procedures we performed to address this key audit matter are as follows:

- Reviewed and inspected documents of key transaction terms.
- Assessed the revenue recognition standards for domestic LPG transactions.
- Inquired and inspected documents with regards to negative sales for domestic LPG transactions.
- Inspected the documents by sampling domestic LPG transactions during the reporting period.
- Reviewed the supporting documents of domestic LPG transactions that occurred before and after the reporting period end and compared the timing of revenue recognition.

Responsibilities of management and those charged with governance for the separate financial statements

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yong Soo Jung.



March 11, 2022

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

SK Gas Co., Ltd.

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

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

Byung Suk Yoon
Chief Executive Officer
SK Gas Co., Ltd.

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

(Korean won in millions and US dollar in thousands)

Assets	2021	2020	2021	2020
Current assets:				
Cash and cash equivalents (Notes 5, 30 and 32)	₩ 63,870	₩ 49,425	\$ 53,876	\$ 45,427
Short-term financial assets (Notes 5, 10 and 32)	563,711	578,778	475,505	531,965
Current trade and other receivables, net (Notes 5, 6, 22, 25 and 32)	823,597	634,715	694,725	583,377
Current derivative assets (Notes 5, 20, and 32)	65,325	95,223	55,103	87,521
Inventories (Note 7)	437,145	309,544	368,743	284,507
Other current financial assets (Notes 5, 8 and 32)	16,674	688	14,065	632
Other current assets (Note 9)	59,740	49,719	50,392	45,698
Total current assets	<u>2,030,062</u>	<u>1,718,092</u>	<u>1,712,409</u>	<u>1,579,127</u>
Non current assets:				
Long-term financial assets (Notes 5, 10 and 32)	109,479	111,648	92,349	102,617
Non-current trade and other receivables, net (Notes 5, 6 and 32)	2,148	1,820	1,812	1,673
Non-current derivative assets (Notes 5, 20 and 32)	50,039	18,709	42,209	17,196
Investments in subsidiaries(Note 11)	463,925	229,363	391,333	210,811
Investments in associates and joint ventures (Note 11)	580,159	567,631	489,379	521,719
Property, plant and equipment, net (Note 12)	912,323	915,632	769,569	841,574
Intangible assets, net (Note 13)	38,814	31,295	32,740	28,764
Right-of-use assets, net (Note 14)	425,526	464,191	358,942	426,646
Other non-current financial assets (Notes 5, 8 and 32)	34,489	33,551	29,092	30,837
Other non-current assets (Note 9)	30,612	32,938	25,823	30,275
Total non-current assets	<u>2,647,514</u>	<u>2,406,778</u>	<u>2,233,248</u>	<u>2,212,112</u>
Total assets	₩ 4,677,576	₩ 4,124,870	\$ 3,945,657	\$ 3,791,239
Liabilities and equity				
Liabilities				
Current liabilities:				
Trade and other payables (Notes 5, 15, 22, 31 and 32)	₩ 190,893	₩ 343,166	\$ 161,023	\$ 315,410
Short-term borrowings (Notes 5, 16, 31 and 32)	796,494	631,740	671,863	580,643
Current portion of long-term borrowings (Notes 5, 16, 31 and 32)	199,954	-	168,666	-
Current derivative liabilities (Notes 5, 20, 31 and 32)	16,254	96,210	13,711	88,428
Income tax payables (Note 28)	53,155	26,009	44,838	23,905
Current portion of lease liabilities (Notes 5, 14, 31 and 32)	60,425	55,039	50,970	50,588
Other current financial liabilities (Notes 5, 18, 31 and 32)	284	238	240	219
Other current liabilities (Note 19 and 25)	8,989	14,257	7,583	13,104
Total current liabilities	<u>1,326,448</u>	<u>1,166,659</u>	<u>1,118,894</u>	<u>1,072,297</u>
Non-current liabilities:				
Bonds payable (Notes 5, 16, 31 and 32)	1,066,658	817,562	899,753	751,436
Long-term borrowings (Notes 5, 16, 31 and 32)	-	188	-	173
Non-current derivative liabilities (Notes 5, 20, 31 and 32)	-	926	-	851
Defined benefit liabilities (Note 17)	2,182	2,413	1,841	2,218
Deferred tax liabilities (Note 28)	39,461	42,685	33,287	39,232
Non-current lease liabilities (Notes 5, 14, 31 and 32)	338,452	363,462	285,493	334,065
Other non-current financial liabilities (Notes 5, 18, 31 and 32)	34,566	32,734	29,157	30,085
Other non-current liabilities (Note 19)	747	107	630	98
Total non-current liabilities	<u>1,482,066</u>	<u>1,260,077</u>	<u>1,250,161</u>	<u>1,158,158</u>
Total liabilities	2,808,514	2,426,736	2,369,055	2,230,455
Equity				
Issued capital (Note 23)	46,151	46,151	38,930	42,418
Capital surplus (Note 23)	256,714	256,714	216,545	235,951
Other components of equity (Notes 23 and 24)	(6,293)	(6,561)	(5,308)	(6,031)
Accumulated other comprehensive income (loss) (Notes 10, 14 and 23)	(11,852)	7,862	(9,998)	7,226
Retained earnings (Note 23)	1,584,342	1,393,968	1,336,433	1,281,220
Total equity	<u>1,869,062</u>	<u>1,698,134</u>	<u>1,576,602</u>	<u>1,560,784</u>
Total liabilities and equity	₩ 4,677,576	₩ 4,124,870	\$ 3,945,657	\$ 3,791,239

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

SK Gas Co., Ltd.

**Separate statements of profit or loss and other comprehensive income
for the years ended December 31, 2021 and 2020**

(Korean won in millions and US dollar in thousands except earnings per share)

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Sales (Notes 22 and 25)	₩ 4,998,281	₩ 3,631,780	\$ 4,216,180	\$ 3,338,033
Cost of sales (Notes 22 and 26)	(4,662,240)	(3,216,203)	(3,932,720)	(2,956,069)
Gross profit	336,041	415,577	283,460	381,964
Selling and administrative expenses (Notes 22, 24 and 26)	(237,443)	(227,668)	(200,290)	(209,254)
Operating profit	98,598	187,909	83,170	172,710
Finance income (Notes 20 and 27)	384,924	510,504	324,694	469,213
Finance costs (Notes 20 and 27)	(276,199)	(399,888)	(232,981)	(367,544)
Other non-operating income (Notes 22 and 27)	106,624	16,726	89,940	15,373
Other non-operating expenses (Notes 22 and 27)	(13,235)	(19,295)	(11,164)	(17,735)
Profit before income tax	300,712	295,956	253,659	272,017
Income tax expense (Note 28)	(73,488)	(110,670)	(61,989)	(101,718)
Net profit for the year	₩ 227,224	₩ 185,286	\$ 191,670	\$ 170,299
Other comprehensive income (loss):				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Net gain (loss) on valuation of derivatives (Note 14)	(22,559)	17,863	(19,030)	16,418
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Net gain on valuation of financial assets fair value through other comprehensive income (Note 10)	2,845	5,087	2,400	4,676
Re-measurement loss on defined benefit plans (Note 17)	(950)	(1,230)	(802)	(1,131)
Other comprehensive income (loss) for the year, net of tax	(20,664)	21,720	(17,432)	19,963
Total comprehensive income for the year, net of tax	₩ 206,560	₩ 207,006	\$ 174,238	\$ 190,262
Earnings per share (Note 29):				
Basic earnings per share	₩ 25,317	₩ 20,721	\$ 21.36	\$ 19.05
Diluted earnings per share	25,244	20,721	21.29	19.05

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

SK Gas Co., Ltd.
Separate statements of changes in equity
for the years ended December 31, 2021 and 2020
(Korean won in millions and US dollar in thousands)

	Issued capital	Capital surplus	Other components of equity	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
As of January 1, 2020	₩ 45,709	₩ 253,164	₩ (8,111)	₩ (15,088)	₩ 1,236,893	₩ 1,512,567
Total comprehensive income:						
Net profit for the year	-	-	-	-	185,286	185,286
Net gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	5,087	-	5,087
Re-measurement loss on defined benefit plans	-	-	-	-	(1,230)	(1,230)
Hedge accounting - loss on valuation of interest rate swap	-	-	-	(77)	-	(77)
Hedge accounting - gain on valuation of lease liabilities	-	-	-	17,940	-	17,940
Sub-total	-	-	-	22,950	184,056	207,006
Transactions with shareholders directly recognized in equity:						
Acquisition and disposal of treasury stocks	-	3,550	1,115	-	-	4,665
Dividends	442	-	-	-	(26,981)	(26,539)
Stock option	-	-	435	-	-	435
Sub-total	442	3,550	1,550	-	(26,981)	(21,439)
As of December 31, 2020	₩ 46,151	₩ 256,714	₩ (6,561)	₩ 7,862	₩ 1,393,968	₩ 1,698,134
US dollar	\$ 42,418	\$ 235,951	\$ (6,031)	\$ 7,226	\$ 1,281,220	\$ 1,560,784
As of January 1, 2021	₩ 46,151	₩ 256,714	₩ (6,561)	₩ 7,862	₩ 1,393,968	₩ 1,698,134
Total comprehensive income						
Net profit for the year	-	-	-	-	227,224	227,224
Net gain of financial assets measured at fair value through other comprehensive income	-	-	-	2,845	-	2,845
Re-measurement loss on defined benefit plans	-	-	-	-	(950)	(950)
Hedge accounting - loss on valuation of lease liabilities	-	-	-	(22,559)	-	(22,559)
Sub-total	-	-	-	(19,714)	226,274	206,560
Transactions with shareholders directly recognized in equity:						
Dividends	-	-	-	-	(35,900)	(35,900)
Stock option	-	-	268	-	-	268
Sub-total	-	-	268	-	(35,900)	(35,632)
As of December 31, 2021	₩ 46,151	₩ 256,714	₩ (6,293)	₩ (11,852)	₩ 1,584,342	₩ 1,869,062
US dollar	\$ 38,930	\$ 216,545	\$ (5,308)	\$ (9,998)	\$ 1,336,433	\$ 1,576,602

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

SK Gas Co., Ltd.

Separate statements of cash flows

for the years ended December 31, 2021 and 2020

(Korean won in millions and US dollar in thousands)

	2021		2020	
	₩	₩	\$	\$
Operating activities				
Cash generated from operations				
Net profit for the year	₩ 227,224	₩ 185,286	\$ 191,670	\$ 170,299
Non-cash adjustments to reconcile profit for the year (Note 30)	(70,170)	139,395	(59,190)	128,121
Working capital adjustments (Note 30)	(484,451)	52,480	(408,648)	48,236
Interest received	31	468	27	430
Income tax payment	(42,966)	(98,095)	(36,243)	(90,161)
Net cash flows provided by (used in) operating activities	(370,332)	279,534	(312,384)	256,925
Investing activities				
Net decrease (increase) in short-term financial instruments	₩ 30,944	₩ (453,615)	\$ 26,102	\$ (416,925)
Increase in short-term loans receivable	(5,300)	(346)	(4,471)	(318)
Decrease in short-term loans receivable	14,536	14,918	12,262	13,711
Increase in long-term financial instruments	(9,496)	(7,070)	(8,010)	(6,498)
Decrease in long-term financial instruments	6	6	5	5
Acquisition of investments in subsidiaries	(234,563)	(65,000)	(197,860)	(59,743)
Proceeds from disposal of investments in subsidiaries	-	10,000	-	9,191
Acquisition of investments in associates and joint ventures	(214,999)	(104,973)	(181,358)	(96,482)
Proceeds from disposal of investments in associates and joint ventures	282,757	-	238,513	-
Acquisition of property, plant and equipment	(89,374)	(63,026)	(75,389)	(57,928)
Proceeds from disposal of property, plant and equipment	47,085	7,946	39,717	7,303
Acquisition of intangible assets	(10,129)	(5,157)	(8,544)	(4,740)
Proceeds from disposal of intangible assets	442	-	373	-
Withdrawal of financial lease receivables	1,118	1,137	943	1,045
Dividend received	10,197	12,064	8,602	11,088
Settlement of derivative instruments	81,950	106,363	69,127	97,760
Net cash flows used in investing activities	(94,826)	(546,753)	(79,988)	(502,531)
Financing activities (Note 30)				
Net increase (decrease) in short-term borrowings in foreign currencies	₩ 222,716	₩ (7,370)	\$ 187,868	\$ (6,774)
Proceeds from short-term borrowings	-	150,000	-	137,868
Repayment of short-term borrowings	(60,000)	(90,000)	(50,612)	(82,721)
Repayment of current portion of long-term borrowings	-	(155,714)	-	(143,120)
Repayment of long-term borrowings	(61)	(440)	(51)	(405)
Proceeds from issuance of bonds	448,073	497,886	377,961	457,616
Interest paid	(37,054)	(36,717)	(31,256)	(33,747)
Cash repayment of lease liabilities	(58,171)	(72,664)	(49,069)	(66,787)
Payment of dividends	(35,900)	(26,539)	(30,283)	(24,393)
Acquisition of treasury stock	-	(107)	-	(99)
Net cash flows provided by financing activities	479,603	258,335	404,558	237,438
Net increase (decrease) in cash and cash equivalents	14,445	(8,884)	12,186	(8,168)
Cash and cash equivalents at the beginning of the year	49,425	58,309	41,690	53,595
Cash and cash equivalents at the end of the year	₩ 63,870	₩ 49,425	\$ 53,876	\$ 45,427

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

1. Corporate information

SK Gas Co., Ltd. (the "Company") was incorporated on December 20, 1985 under the Commercial Code of the Republic of Korea and was listed on the Korea Stock Exchange in August 1997. The Company is currently engaged in the importation, storage and sale of liquefied petroleum gas (LPG). The Company's headquarter is located in Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do.

The Company has issued capital several times since its foundation. As at December 31, 2021, the Company's issued capital amounts to ₩46,151,220 thousand of which 72.2% is owned by SK Discovery Co., Ltd.

The accompanying 2021 and 2020 financial statements are expressed in Korean won, and solely for the convenience of the reader, have been translated into United States dollar at the rate of ₩1,185.50 and ₩1,088.00 to US\$1, the exchange rates on December 31, 2021 and 2020, respectively. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollar at the exchange rate used for the purpose of such translation.

2. Summary of significant accounting policies

2.1 Basis of financial statements preparation and statement of compliance

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (KIFRS) enacted by the *Act on External Audit of stock Companies*.

The separate financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets, contingent consideration that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The separate financial statements are presented in Korean won (KRW), and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Significant accounting policies

2.2.1 Subsidiaries, associates and jointly controlled entities

Pursuant to KIFRS 1027, the accompanying separate financial statements are accounted for, by a parent, investments in a subsidiary or an associate or a joint venture on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees. The Company selected cost method in accordance with KIFRS 1027 for accounting for the investments in subsidiaries, associates or joint ventures according to KIFRS 1027. Moreover, KIFRS 1027 requires that, in the separate financial statements, investments in subsidiaries, affiliates or joint ventures should be accounted for at cost. For all investments in subsidiaries, associates and joint ventures, KIFRS 1101 is applied to recognize the book value at the date of conversion to KIFRS as the cost for applying the cost method. Meanwhile, dividends received from subsidiaries, associates and joint venture investments are recognized in profit or loss at the time the right to dividends is confirmed.

2.2 Significant accounting policies (cont'd)

2.2.2 Foreign currency translation

The Company's separate financial statements are presented in Korean won, which is also its functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. The differences arising from translation are reflected in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

2.2.3 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

2.2.4 Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.2 Significant accounting policies (cont'd)

2.2.4 Fair value measurement (cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following note 32.

2.2.5 Revenue from contracts with customers

The Company is in the business of importing, storing and selling liquefied petroleum gas (LPG). Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(1) Variable consideration

The terms and conditions of the contract with the customer may change the consideration received from the customer, but since the Company usually recognizes revenue by including the variable consideration in the transaction price, the financial effect of the variable consideration regulation is deemed to be limited.

(2) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in KIFRS 1115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.2.5 Revenue from contracts with customers (cont'd)

(3) Non-cash consideration

The Company applies the requirements of KIFRS 1113 Fair Value Measurement in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the fire prevention equipment.

- Customer loyalty program

The Company provides a certain percentage of EBC (Engine Bonus Card) or OKCashbag points in terms of revenue when presenting the EBC card or OKCashbag card to customers who purchase the product and recognizes them as a reduction in sales.

- Transportation

The Company provides transportation services with the transfer of goods. Transportation services are available from third parties and do not significantly customize or modify the goods. A contract that provides both the sale and transport of goods consists of two performance obligations. This is because the transfer of goods and the provision of transport services are distinct and separately identifiable. Therefore, the Company allocates the transaction price based on the relative stand-alone selling price of the goods and transport services.

The Company recognizes revenue for the provision of transport services over time as a progress rate in accordance with the input method. This is because the customer simultaneously receives and consumes the benefits of the entity's performance as the Company does. Revenue from the sale of goods is recognized at a point in time, which is typically the time of delivery of the goods.

Contract balances

(1) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the Note 2.2.12

(2) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

2.2.6 Taxes

(1) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the separate statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.2.6 Taxes (cont'd)

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their book values for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill
- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.7 Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.2.8 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the book value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Economical useful life (years)
	<hr/>
Buildings	15 - 40
Structures	12 - 40
LPG storage tanks	15 - 20
Machinery	6 - 15
Vehicles	4
Tools, furniture and fixtures	3 - 4

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the book value of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate. In particular, the Company considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

2.2.9 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

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

Right-of-use assets

The Company recognizes right-of-use assets at the lease commencement date (i.e., the date underlying asset is available for use). Right-of-use assets are measured at cost, and the cost model is applied for subsequent measurement. In order to apply the cost model, the accumulated depreciation amount and the accumulated impairment loss are deducted, and the adjustment according to the remeasurement of the lease liability is reflected. The cost of the licensed asset includes the recognized lease liability amount, the initial direct cost, and the lease payments paid before or after the lease commencement less the lease incentive received. The estimated useful life of licensed assets is as follows.

	Estimated useful life (years)
	<hr/>
Vessels	10 – 24
LPG stations	2 – 10
Vehicles	2 – 4
Sites	3 – 10
Others	2 – 10

2.2.9 Leases (cont'd)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, and it is described in Note 2.2.15 Accounting policies for impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company measures the lease liability at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of the purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the book value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the separate statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful life of intangible assets is assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization of intangible assets is recognized in profit or loss as an expense item consistent with the function of the intangible asset.

Otherwise, Intangible assets with indefinite useful lives are tested for impairment annually or individually or included in cash-generating units. In addition, the Company evaluates whether it is appropriate to apply the indefinite useful lives to the intangible assets each year, and if not, changes the intangible assets to finite useful lives

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

2.2.12 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.2.12 Financial instruments – initial recognition and subsequent measurement (cont'd)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other non-operating income in the separate statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company may elect to classify irrevocably its non-listed equity investments under this category.

2.2.12 Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's separate statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original book value of the asset and the maximum amount of consideration that the Company could be required to repay.

2.2.12 Financial instruments – initial recognition and subsequent measurement (cont'd)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

For trade and other receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by the credit rating agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

2.2.12 Financial instruments – initial recognition and subsequent measurement (cont'd)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Company has not designated any financial liability as of fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the separate statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 3.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognized in the statement of profit or loss.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.2.13 Derivative and non-derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative and non-derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative and non-derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the beginning of risk hedging, Company formally designate and document the risk hedging relationship, risk management objectives and risk hedging strategies that we want to apply.

2.2.13 Derivative and non-derivative financial instruments and hedge accounting (cont'd)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company applies cash flow hedge accounting to reduce the risk of future cash flow changes in expected transactions due to specific risks. Hedges that meet all the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as finance income or cost and the ineffective portion relating to commodity contracts is recognized in finance income or cost.

The Company has applied hedge accounting, which specifies the amount of lease repayment as a hedge measure for non-financial items. The effective part of hedge is recognized in other comprehensive income and as a cash flow hedge reserve as a separate capital item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other book value of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.2.14 Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the gross average method except for materials-in-transit. The cost of inventories comprises purchase costs, conversion costs, and other costs required to prepare inventory for use. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.2.15 Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the book value of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value is determined using an appropriate valuation model using stock prices of subsidiaries traded in the open market or other available fair value measurement indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the book value of the asset does not exceed its recoverable amount, nor exceed the book value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as of December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its book value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Other Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.2.16 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.2.17 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium. Share options exercised during the reporting period are satisfied with treasury shares.

2.2.18 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the separate statement of profit or loss and other comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.2.19 Pension benefits and other post-retirement benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of :

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses' in the separate statement of profit or loss and other comprehensive income:

The Company operate a defined contribution system for some executives and employees, and contributions are recognized as expenses when they provide service.

2.2.20 Share-based payments

The Company provides share-based compensation for employees' work services and is operated in the form of an equity settlement type share-based compensation that grants the share options to employees and officers. The equity settlement type share-based compensation costs are measured at fair value as of the date of granting using an appropriate valuation model.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the separate statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.2.20 Share-based payments (cont'd)

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as of the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.3 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the separate financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions beyond June 30, 2021

In 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to KIFRS 1116 *Leases*.

The amendments provide relief to lessees from applying KIFRS 11016 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures about risks and uncertainties that have been exposed to the Company include the objectives and policies of financial risk management, as described in Note 31.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

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

(2) Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3. Significant accounting judgments, estimates and assumptions (cont'd)

(3) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24.

(4) Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension liability are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(5) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(6) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Standards issued but not yet effective

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

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments are not expected to have a material impact on the Company.

Amendments to KIFRS 1012 *Income Taxes* – Narrowing the scope of the initial recognition exception of deferred taxes

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary difference, thus to resolve accounting diversity in the recognizing of deferred tax assets and liabilities. Paragraphs 15 and 24 (initial recognition exemption of deferred taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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

Annual improvements to KIFRS 2018-2020

KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

KIFRS 1109 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

KIFRS 1041 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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

5. Financial assets and liabilities

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

	2021			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ -	₩ 63,870,020	₩ 63,870,020
Short-term financial assets	557,091,074	-	6,620,000	563,711,074
Trade and other receivables	-	-	823,596,710	823,596,710
Derivative financial assets	65,325,132	-	-	65,325,132
Other current financial assets	-	-	16,674,298	16,674,298
Sub-total	622,416,206	-	910,761,028	1,533,177,234
Non-current assets:				
Long-term financial assets	1,370,055	22,415,853	85,693,500	109,479,408
Trade and other receivables	-	-	2,147,733	2,147,733
Derivative financial assets	50,038,587	-	-	50,038,587
Other non-current financial assets	-	-	34,489,008	34,489,008
Sub-total	51,408,642	22,415,853	122,330,241	196,154,736
Total	₩ 673,824,848	₩ 22,415,853	₩ 1,033,091,269	₩ 1,729,331,970

	2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
Current assets:				
Cash and cash equivalents	₩ -	₩ -	₩ 49,424,960	₩ 49,424,960
Short-term financial assets	576,642,234	-	2,136,000	578,778,234
Trade and other receivables	-	-	634,714,715	634,714,715
Derivative financial assets	95,223,033	-	-	95,223,033
Other current financial assets	-	-	688,114	688,114
Sub-total	671,865,267	-	686,963,789	1,358,829,056
Non-current assets:				
Long-term financial assets	1,370,055	18,662,291	91,615,372	111,647,718
Trade and other receivables	-	-	1,820,331	1,820,331
Derivative financial assets	18,709,000	-	-	18,709,000
Other non-current financial assets	-	-	33,551,104	33,551,104
Sub-total	20,079,055	18,662,291	126,986,807	165,728,153
Total	₩ 691,944,322	₩ 18,662,291	₩ 813,950,596	₩ 1,524,557,209

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

5. Financial assets and liabilities (cont'd)

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

	2021			
	Financial liabilities at fair value through profit or loss	Financial liabilities designated as hedge accounting	Financial liabilities at amortized cost	Total
Current liabilities:				
Trade and other payables	₩ -	₩ -	₩ 190,892,558	₩ 190,892,558
Short-term borrowings	-	-	796,493,518	796,493,518
Current portion of long-term borrowings	-	-	199,953,852	199,953,852
Derivative financial liabilities	16,253,939	-	-	16,253,939
Current portion of lease liabilities (*1)	-	40,006,633	20,418,233	60,424,866
Other current financial liabilities	-	-	284,468	284,468
Sub-total	16,253,939	40,006,633	1,208,042,629	1,264,303,201
Non-current assets:				
Bonds payable	-	-	1,066,657,697	1,066,657,697
Lease liabilities (*1)	-	310,050,758	28,401,443	338,452,201
Other non-current liabilities	392,192	-	34,173,890	34,566,082
Sub-total	392,192	310,050,758	1,129,233,030	1,439,675,980
Total	₩ 16,646,131	₩ 350,057,391	₩ 2,337,275,659	₩ 2,703,979,181

(*1) The effective part of cash flow hedge amount of ₩22,559,636 thousand (including the income tax effect) is recognized in other comprehensive income.

	2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities designated as hedge accounting	Financial liabilities at amortized cost	Total
Current liabilities:				
Trade and other payables	₩ -	₩ -	₩ 343,166,132	₩ 343,166,132
Short-term borrowings	-	-	631,739,647	631,739,647
Derivative financial liabilities	96,210,182	-	-	96,210,182
Current portion of lease liabilities (*1)	-	35,377,864	19,661,461	55,039,325
Other current financial liabilities	-	-	238,066	238,066
Sub-total	96,210,182	35,377,864	994,805,306	1,126,393,352
Non-current assets:				
Bonds payable	-	-	817,562,172	817,562,172
Long-term borrowings	-	-	188,071	188,071
Derivative financial liabilities	926,400	-	-	926,400
Lease liabilities (*1)	-	321,692,003	41,770,473	363,462,476
Other non-current liabilities	-	-	32,733,472	32,733,472
Sub-total	926,400	321,692,003	892,254,188	1,214,872,591
Total	₩ 97,136,582	₩ 357,069,867	₩ 1,887,059,494	₩ 2,341,265,943

(*1) The effective part of cash flow hedge amount of ₩17,939,937 thousand (including the income tax effect) is recognized in other comprehensive income.

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

5. Financial assets and liabilities (cont'd)

Profit or loss details of financial instruments for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities designated as hedge accounting	Financial liabilities at amortized cost	Total
Profit or loss:						
Interest income (expense)	₩ -	₩ -	₩ 3,351,563	₩ (10,645,651)	₩ (29,751,919)	₩ (37,046,007)
Dividend income (*1)	-	223,855	-	-	-	223,855
Bad debt expense	-	-	(3,083,000)	-	-	(3,083,000)
Gain from valuation of financial instruments	775,317	-	-	-	-	775,317
Gain from transactions of financial instruments	10,617,374	-	-	-	-	10,617,374
Financial guarantee income	-	-	-	-	308,548	308,548
Sub-total	11,392,691	223,855	268,563	(10,645,651)	(29,443,371)	(28,203,913)
Other comprehensive income:						
Gain (loss) from valuation of financial instruments (*2)	-	2,845,200	-	(22,559,636)	-	(19,714,436)
Total	₩ 11,392,691	₩ 3,069,055	₩ 268,563	₩ (33,205,287)	₩ (29,443,371)	₩ (47,918,349)

(*1) Dividend income from investments in subsidiaries, associates and joint ventures were excluded.

(*2) Amount is net of corporate tax effect.

	2020					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial liabilities designated as hedge accounting	Financial liabilities at amortized cost	Total
Profit or loss:						
Interest income (expense)	₩ -	₩ -	₩ 3,139,615	₩ (10,463,928)	₩ (26,749,895)	₩ (34,074,208)
Dividend income (*1)	-	155,974	-	-	-	155,974
Bad debt expense	-	-	(5,894,792)	-	-	(5,894,792)
Gain from valuation of financial instruments	2,042,234	-	-	-	-	2,042,234
Gain from transactions of financial instruments	5,718,030	-	-	-	-	5,718,030
Financial guarantee income	-	-	-	-	240,890	240,890
Sub-total	7,760,264	155,974	(2,755,177)	(10,463,928)	(26,509,005)	(31,811,872)
Other comprehensive income:						
Gain from valuation of financial instruments (*2)	-	5,087,157	-	17,863,089	-	22,950,246
Total	₩ 7,760,264	₩ 5,243,131	₩ (2,755,177)	₩ 7,399,161	₩ (26,509,005)	₩ (8,861,626)

(*1) Dividend income from investments in subsidiaries, associates and joint ventures were excluded.

(*2) Amount is net of corporate tax effect.

Other gain or loss by financial instruments for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021			2020		
	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at amortized cost	Total	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at amortized cost	Total
Gain (loss) on foreign currency translation	₩ -	₩ (1,452,921)	₩ (1,452,921)	₩ -	₩ 16,864,645	₩ 16,864,645
Foreign exchange gain (loss)	-	(67,848,205)	(67,848,205)	-	16,207,867	16,207,867
Derivative valuation gain (loss)	81,327,180	-	81,327,180	3,749,264	-	3,749,264
Derivative transaction gain (loss)	111,846,558	-	111,846,558	87,802,582	-	87,802,582
Share-based compensation costs	392,192	-	392,192	-	-	-
Total	₩ 193,565,930	₩ (69,301,126)	₩ 124,264,804	₩ 91,551,846	₩ 33,072,512	₩ 124,624,358

SK Gas Co., Ltd.
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5. Financial assets and liabilities (cont'd)

Details of restricted bank deposits as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	Financial institution	2021	2020	Description
Long-term financial assets	Woori Bank and others	₩ 17,000	₩ 17,000	Maintenance of checking account

Details of cash and cash equivalents as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Cash	₩ 1,160	₩ 1,790
Ordinary deposits	63,868,860	49,423,170
Total	<u>₩ 63,870,020</u>	<u>₩ 49,424,960</u>

6. Trade and other receivables

Trade and other receivables as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Current assets:		
Trade receivables	₩ 774,622,652	₩ 573,567,478
Less: allowance for doubtful accounts	(688,469)	(438,846)
Other receivables	48,515,001	60,714,710
Finance lease receivables	1,147,526	871,373
Total	<u>₩ 823,596,710</u>	<u>₩ 634,714,715</u>
Non-current assets:		
Finance lease receivables	<u>₩ 2,147,733</u>	<u>₩ 1,820,331</u>

Changes in allowance for doubtful accounts for trade and other receivables for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
As of January 1	₩ (438,846)	₩ (284,907)
Bad debt expense	(820,623)	(153,939)
Write-off	571,000	-
As of December 31	<u>₩ (688,469)</u>	<u>₩ (438,846)</u>

SK Gas Co., Ltd.
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6. Trade and other receivables (cont'd)

As of December 31, 2021 and 2020, aging analyses of trade and other receivables are as follows (Korean won in thousands):

	2021			2020		
	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
Not past due	₩ 771,710,626	₩ 51,787,411	₩ 823,498,037	₩ 570,602,323	₩ 63,348,476	₩ 633,950,799
Past due (*1)						
≤ 30 days	690,619	-	690,619	1,449,138	-	1,449,138
31~90 days	9,437	-	9,437	-	-	-
> 90 days	2,211,970	22,849	2,234,819	1,516,017	57,938	1,573,955
Sub-total	2,912,026	22,849	2,934,875	2,965,155	57,938	3,023,093
Total	₩ 774,622,652	₩ 51,810,260	₩ 826,432,912	₩ 573,567,478	₩ 63,406,414	₩ 636,973,892

(*1) The Company conducts an individual assessment and a collective credit analysis based on expected credit losses on non-secured bonds, excluding bonds of which exceed the contract recovery date is past due and with collateral and joint guarantors.

7. Inventories

Inventories as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Merchandise	₩ 106,041,158	₩ 63,807,639
Merchandise in-transit	324,774,497	240,270,744
Supplies	6,328,930	5,465,653
Total	₩ 437,144,585	₩ 309,544,036

No valuation loss on inventories was recognized in cost of sales for the years ended December 31, 2021 and December 31, 2020. The Company carries comprehensive insurance to Samsung Fire & Marine Insurance with its inventories against fire and other casualty losses for up to ₩291,804,262 thousand and ₩156,023,069 thousand as of December 31, 2021 and 2020, respectively.

8. Other Financial assets

Other financial assets as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Other current financial assets:		
Short-term deposits	₩ 16,674,298	₩ 688,114
Other non-current financial assets:		
Long-term deposits	₩ 34,489,008	₩ 33,551,104

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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9. Other assets

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

	2021	2020
Other current assets:		
Advanced payments	₩ 19,073,187	₩ 16,113,360
Prepaid expenses	4,031,947	3,942,223
Prepaid value added taxes	36,634,968	29,663,306
Total	<u>₩ 59,740,102</u>	<u>₩ 49,718,889</u>
Other non-current assets:		
Long-term prepaid expenses	₩ 30,612,500	₩ 32,937,500

10. Financial assets

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

	2021	2020
Current:		
Financial assets at amortized cost	₩ 6,620,000	₩ 2,136,000
Financial assets at fair value through profit or loss	557,091,074	576,642,234
Total	<u>₩ 563,711,074</u>	<u>₩ 578,778,234</u>
Non-current:		
Financial assets at amortized cost	₩ 85,693,500	₩ 91,615,372
Financial assets at fair value through other comprehensive income	22,415,853	18,662,291
Financial assets at fair value through profit or loss	1,370,055	1,370,055
Total	<u>₩ 109,479,408</u>	<u>₩ 111,647,718</u>

Financial assets at amortized cost as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	Description	Interest rate (%)	2021	2020
Current:				
Operating loans to gas stations	Operating capital and others	-	₩ 6,620,000	₩ 2,136,000
Non-current:				
Long-term financial assets	Maintenance of checking account	-	₩ 17,000	₩ 17,000
Operating loans to gas stations	Operating capital and others	-	89,758,616	94,415,705
Oil exploration loans (*1)	KNOC KPL and others	-	-	5,734,609
Employees' loans	Housing loans	2.0	56,786	22,500
	Sub-total		89,832,402	100,189,814
	Less: present value discount		(2,258,567)	(2,821,874)
	Less: allowance for doubtful accounts		(1,880,335)	(5,752,568)
	Total		<u>₩ 85,693,500</u>	<u>₩ 91,615,372</u>

(*1) The Company obtained a loan from Korea Natural Oil Corporation (KNOC) and lent it to a special purpose company of KNOC. If the exploratory project is unsuccessful, the Company will be exempt from the repayment of the principal and interest owed to KNOC with not collecting the principal and interest from the special purpose company of KNOC. As the oil exploratory project has been suspended during the year ended December 31, 2020, the Company was exempt from the repayment of the principal and interest and recognized bad debt expenses for the entire loan relating to the project amounted to ₩5,734,609 thousand as of December 31, 2020, and the allowance for bad debt related to the loan was fully written off during the year ended December 31, 2021 (see Note 16).

SK Gas Co., Ltd.
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10. Financial assets (cont'd)

Meanwhile, the Company recognizes the difference between the present value and the nominal value of operating loans as a deduction of sales.

Current financial assets at fair value through profit or loss as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Short-term bonds, commercial papers and others	₩ 557,091,074	₩ 576,642,234

Non-current financial assets as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	Equity ownership (%)	2021		2020
		Acquisition cost	Book value / fair value (*2)	Book value
Financial assets at fair value through other comprehensive income (FVOCI)				
Hanil Holdings Co., Ltd. (*1)	0.26	₩ 1,586,720	₩ 1,015,200	₩ 819,680
Hanil Cement Co., Ltd. (*1)	0.26	2,181,746	3,850,140	1,925,070
Bloom Energy (*1)	0.20	5,597,994	8,665,996	10,394,016
Kornatus Co., Ltd. – Convertible Preference Shares (“CPS”)	6.11	1,000,053	1,000,053	1,000,053
Korea Business Finance Co., Ltd. (*1)	10.34	3,000,000	4,737,000	3,253,332
SK TIC (*1)	1.62	2,852,212	2,847,074	969,750
Ip Sung Co., Ltd.	12.40	299,992	299,992	299,992
Others	-	398	398	398
Sub-total		16,519,115	22,415,853	18,662,291
Financial assets at fair value through profit or loss (FVPL)				
Korea LPG Association	50.00	70,000	70,000	70,000
Safeschoolbus Co., Ltd. - Redeemable Convertible Preference Shares (“RCPS”)	6.00	300,001	300,001	300,001
Hyllium Industries, Inc. - RCPS	5.13	1,000,054	1,000,054	1,000,054
Sub-total		1,370,055	1,370,055	1,370,055
Total		₩ 17,889,170	₩ 23,785,908	₩ 20,032,346

(*1) The Company assessed financial instruments for which an active transaction market exists or fair value can be assessed reliably. Differences of ₩3,753,562 thousand between the book value and fair value measured based on quoted prices in active markets was recorded in other comprehensive income after deducting the income tax effect of ₩908,362 thousand.

(*2) For financial assets measured at fair value through other comprehensive income that are non-listed shares where no active trade market exists, fair value cannot be reliably measured, or there is no material difference between fair value and acquisition costs, the Company determined acquisition cost is the appropriate fair value.

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10. Financial assets (cont'd)

Changes in financial assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021					
	Jan. 1	Increase	Decrease	Revaluation	Others (*1)	Dec. 31
Current:						
Financial assets at amortized cost	₩ 2,136,000	₩ 5,300,000	₩ (14,536,485)	₩ -	₩ 13,720,485	₩ 6,620,000
Financial assets at fair value through profit of loss (*2)	576,642,234	-	(20,326,477)	775,317	-	557,091,074
Total	<u>₩ 578,778,234</u>	<u>₩ 5,300,000</u>	<u>₩ (34,862,962)</u>	<u>₩ 775,317</u>	<u>₩ 13,720,485</u>	<u>₩ 563,711,074</u>
Non-current:						
Financial assets at amortized cost	₩ 91,615,372	₩ 8,729,858	₩ (5,714)	₩ (2,262,377)	₩ (12,383,639)	₩ 85,693,500
Financial assets at fair value through other comprehensive income	18,662,291	-	-	3,753,562	-	22,415,853
Financial assets at fair value through profit of loss	1,370,055	102,086	(102,086)	-	-	1,370,055
Total	<u>₩ 111,647,718</u>	<u>₩ 8,831,944</u>	<u>₩ (107,800)</u>	<u>₩ 1,491,185</u>	<u>₩ (12,383,639)</u>	<u>₩ 109,479,408</u>

(*1) Others include changes in current/non-current classification, changes in the present value discount, foreign currency valuation.

(*2) Increase in the financial assets is presented as net amount including the decreases.

	2020					
	Jan. 1	Increase	Decrease	Revaluation	Others (*1)	Dec. 31
Current:						
Financial assets at amortized cost	₩ 55,759,697	₩ 346,000	₩ (14,917,835)	₩ -	₩ (39,051,862)	₩ 2,136,000
Financial assets at fair value through profit of loss (*2)	115,267,230	459,332,770	-	2,042,234	-	576,642,234
Total	<u>₩ 171,026,927</u>	<u>₩ 459,678,770</u>	<u>₩ (14,917,835)</u>	<u>₩ 2,042,234</u>	<u>₩ (39,051,862)</u>	<u>₩ 578,778,234</u>
Non-current:						
Financial assets at amortized cost	₩ 52,635,501	₩ 4,522,017	₩ (5,714)	₩ (5,740,853)	₩ 40,204,421	₩ 91,615,372
Financial assets at fair value through other comprehensive income	10,950,948	1,000,053	-	6,711,290	-	18,662,291
Financial assets at fair value through profit of loss	70,000	1,300,055	-	-	-	1,370,055
Total	<u>₩ 63,656,449</u>	<u>₩ 6,822,125</u>	<u>₩ (5,714)</u>	<u>₩ 970,437</u>	<u>₩ 40,204,421</u>	<u>₩ 111,647,718</u>

(*1) Others include changes in current/non-current classification, changes in the present value discount, foreign currency valuation.

(*2) Increase in the financial assets is presented as net amount including the decreases.

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11. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

Subsidiaries and associates	Country of domicile	Year-end date	Principal activities	Equity ownership (%)	2021		2020	
					Book value	Equity ownership (%)	Book value	Equity ownership (%)
Investments in subsidiaries:								
Ulsan GPS Co., Ltd. (*1)	Korea	12.31	Electricity	100.00	₩ 347,784,938	100.00	₩ 187,784,938	
SK Gas USA Inc.	US	12.31	Sales of liquefied petroleum gas	100.00	51,188,098	100.00	26,823,848	
SK Gas International Pte. Ltd.	Singapore	12.31	LPG trading	100.00	64,952,441	100.00	14,753,825	
Total					₩ 463,925,477		₩ 229,362,611	
Investments in joint ventures:								
SK D&D Co., Ltd. (*2)	Korea	12.31	Real estate development	-	-	29.30	151,371,527	
SK D&D Co., Ltd. - Preferred share (*2)	Korea	12.31	Real estate development	-	-	38.46	51,100,000	
Dangjin Eco Power Co., Ltd. (*3,4)	Korea	12.31	Electricity	66.00	48,835,671	66.00	48,835,671	
Korea Energy Terminal Co., Ltd. (*4)	Korea	12.31	Construction and operation of tank terminals	47.58	84,441,100	47.31	45,342,650	
Bitgoeul Eco Energy Co., Ltd. (*4)	Korea	12.31	Construction and operation of fuel cell power plant	29.00	4,640,000	29.00	29,000	
G-Energy Corp. (*4)	Korea	12.31	Coal supply	50.00	100,000			
Sub-total					138,016,771		296,678,848	
Investments in associates:								
Global Opportunities Fund	Cayman Islands	12.31	Finance	20.63	1,130,883	20.63	1,130,883	
Weonil Energy Co., Ltd.	Korea	12.31	LPG gas station	29.00	2,610,000	29.00	2,610,000	
SK Advanced Co., Ltd.	Korea	12.31	PDH manufacturing	45.00	184,216,588	45.00	184,216,588	
SK Holdco Pte. Ltd.	Singapore	12.31	Investments	36.49	59,593,096	36.49	59,593,096	
Gridwiz Co., Ltd.	Korea	12.31	Power demand management service	19.95	13,000,000	19.95	13,000,000	
Gridwiz Co., Ltd. - Preferred share (*5)	Korea	12.31	Power demand management service	5.76	8,501,260	5.76	8,501,260	
KOHYGEN Corp. (*6)	Korea	12.31	Hydrogen fueling infrastructure operation	9.50	950,000	-	-	
Goseong Green Power Co., Ltd. (*6)	Korea	12.31	Coal-fired power plant construction and operation	19.00	172,140,000	0.73	1,900,000	
Sub-total					442,141,827		270,951,827	
Total					₩ 580,158,598		₩ 567,630,675	

(*1) The Company's 100% equity ownership in the entity include 0.74% equity ownership to be acquired when the put options held by Korea Development Bank are exercised.

(*2) During the year ended December 31, 2021, all convertible preferred stocks of SK D&D Co., Ltd. were converted to common stock, and the entire share, including common stock, was disposed of at ₩282,757 million to SK Discovery Co., Ltd. (see Note 22).

(*3) The Company's 66% equity ownership in the entity include 11.13% equity ownership to be acquired when the put options held by Korea Development Bank are exercised.

(*4) The Company classified the joint arrangement that it has joint control of as a joint venture since the arrangement has been structured through a separate vehicle and the parties holding joint control hold the rights to the net assets of the joint arrangement.

(*5) This is redeemable convertible preference shares of Gridwiz Co., Ltd. (see Note 11)

(*6) The Company classified it as investments in associates because it can exercise voting rights on the board of directors of the investee although its shareholding is less than 20%.

SK Gas Co., Ltd.
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11. Investments in subsidiaries, associates and joint ventures (cont'd)

Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

Associates	2021				
	Jan. 1	Additions (*1)	Disposal	Others (*2)	Dec. 31
Investments in subsidiaries:					
Ulsan GPS Co., Ltd.	₩ 187,784,938	₩ 160,000,000	₩ -	₩ -	₩ 347,784,938
SK Gas USA Inc.	26,823,848	24,364,250	-	-	51,188,098
SK Gas International Pte. Ltd.	14,753,825	50,198,616	-	-	64,952,441
Total	229,362,611	234,562,866	-	-	463,925,477
Investments in associates and joint ventures:					
SK D&D Co., Ltd.	151,371,527	-	(202,471,527)	51,100,000	-
SK D&D Co., Ltd. - Preferred share	51,100,000	-	-	(51,100,000)	-
Dangjin Eco Power Co., Ltd.	48,835,671	-	-	-	48,835,671
Korea Energy Terminal Co., Ltd.	45,342,650	39,098,450	-	-	84,441,100
Bitgoeul Eco Energy Co., Ltd.	29,000	4,611,000	-	-	4,640,000
Global Opportunities Fund	1,130,883	-	-	-	1,130,883
Weonil Energy Co., Ltd.	2,610,000	-	-	-	2,610,000
SK Advanced Co., Ltd.	184,216,588	-	-	-	184,216,588
SK Holdco Pte. Ltd.	59,593,096	-	-	-	59,593,096
Gridwiz Co., Ltd.	13,000,000	-	-	-	13,000,000
Gridwiz Co., Ltd. - Preferred share	8,501,260	-	-	-	8,501,260
G-Energy Corp.	-	100,000	-	-	100,000
KOHYGEN Corp.	-	950,000	-	-	950,000
Goseong Green Power Co., Ltd.	1,900,000	170,240,000	-	-	172,140,000
Total	₩ 567,630,675	₩ 214,999,450	₩ (202,471,527)	₩ -	₩ 580,158,598

(*1) It is the amount of acquisition due to paid-in capital increase.

(*2) During the current period, all convertible preferred stocks of SK D&D Co., Ltd. were converted to common stocks.

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

	2020		
	Jan. 1	Additions (*1)	Dec. 31
Investments in subsidiaries:			
Ulsan GPS Co., Ltd.	₩ 122,784,938	₩ 65,000,000	₩ 187,784,938
SK Gas USA Inc.	26,823,848	-	26,823,848
SK Gas International Pte. Ltd.	14,753,825	-	14,753,825
Total	<u>₩ 164,362,611</u>	<u>₩ 65,000,000</u>	<u>₩ 229,362,611</u>
Investments in associates and joint ventures:			
SK D&D Co., Ltd.	₩ 151,371,527	₩ -	₩ 151,371,527
SK D&D Co., Ltd. - Preferred share	-	51,100,000	51,100,000
Dangjin Eco Power Co., Ltd.	48,835,671	-	48,835,671
Korea Energy Terminal Co., Ltd. (*2)	-	45,342,650	45,342,650
Bitgoeul Eco Energy Co., Ltd. (*3)	-	29,000	29,000
Global Opportunities Fund	1,130,883	-	1,130,883
Weonil Energy Co., Ltd.	2,610,000	-	2,610,000
SK Advanced Co., Ltd.	184,216,588	-	184,216,588
SK Holdco Pte. Ltd.	59,593,096	-	59,593,096
Gridwiz Co., Ltd.	13,000,000	-	13,000,000
Gridwiz Co., Ltd. - Preferred share	-	8,501,260	8,501,260
Goseong Green Power Co., Ltd.	1,900,000	-	1,900,000
Total	<u>₩ 462,657,765</u>	<u>₩ 104,972,910</u>	<u>₩ 567,630,675</u>

(*1) It is the amount of acquisition due to paid-in capital increase.

(*2) After the initial acquisition, the acquisition amount due to paid-in capital increase is ₩ 41,518,000 thousand.

(*3) It is amount of initial acquisition.

The fair value of marketable shares relating to subsidiary, associate and joint venture investments as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

Investments in joint ventures	Corporate name	2021	2020
	SK D&D Co., Ltd. (*1)	₩	-

(*1) It is the fair value of the common stock, and the entire share held during the current period was disposed of at ₩282,757 million to SK Discovery Co., Ltd. (see note 22).

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

Details of Gridwiz's Redeemable Convertible Preference Shares ("RCPS") are as follows.

Detail		Description
Amounts invested		KRW 8,501 million
Number of shares invested (share)		Registered Redeemable Convertible Preference Shares ("RCPS") with voting right. 15,026 shares
Shares after investment (%)(* 1)		25.71%
Price per share (in Korean Won)		KRW 565,770
Expected Period		10 years from issue date
Conversion condition	Conversion period	From the day after the issue date to day before the expiration of the expected period
	Conversion ratio	1:1 The conversion ratio is the issue price that is lower than issue price of RCPS and is adjusted when certain conditions are met, such as IPO (stock offering), paid-in capital increase, stock dividend, and capital Increase without consideration.
Repayment condition	Repayment period	From the day 4 years have elapsed from the issue date to the day before the expiration of the expected period.
	Repayment price	Acquisition price per share* 5% annual compound - dividends paid
Profit dividends		1.0% per year based on the par value of the issue price (cumulative, participating)

(*1) It is the ownership ratio of the Company including the existing common stock and the potential common stock.

Impairment test for the non-financial assets

The Company assesses assets excluding goodwill, at each reporting date, to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

The Company decided that there was an indication of impairment to the investment in subsidiary because Ulsan GPS Co., Ltd. is unable to generate separate operating cash flows until the construction of LPG/LNG combined thermal power plant under construction is completed and the normal operation is started.

Accordingly, the Company performed an impairment assessment on the investment in subsidiary by comparing the carrying amount of KRW 347,785 million to the investment stocks on Ulsan GPS Co., Ltd., with the value in use based on the discounted cash flow forecast, and the recoverable amount of the investment stocks was evaluated.

Key assumptions used in calculation of value in use

The following factors are sensitive to the calculation of the value in use of the investment in subsidiary, Ulsan GPS Co., Ltd.

- ① Based on the 9th Basic Plan for Electricity Demand and Supply, cash flows estimated based on the 20- to 30-year financial budget of the Combined Cycle Power Plant (LNG / LPG) project period are used.
- ② Future cash flows are estimated based on past experience and the mid- to long-term business plan proposed by the Company.
- ③ When determining the recoverable amount, the after-tax discount rate was applied to the weighted average capital cost (5.20%).

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

Key assumptions used in calculation of value in use

The main assumptions used in the calculation of value in use reflect management's assessment of the industry's future, which is determined by considering external and internal information. However, it is determined that the related total carrying amount will not exceed the total recoverable amount due to reasonably possible changes in the key assumptions, but may be offset by changes in the key assumptions.

12. Property, plant and equipment

Details of property, plant and equipment as at December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 357,035,514	₩ -	₩ -	₩ 357,035,514
Buildings	170,219,331	(50,848,853)	(255,000)	119,115,478
Structures	185,512,955	(93,605,288)	-	91,907,667
LPG storage tanks	283,813,228	(135,379,536)	-	148,433,692
Machinery	327,786,545	(187,855,834)	(5,244,346)	134,686,365
Vehicles	353,628	(215,883)	-	137,745
Tools, furniture and fixtures	55,562,842	(43,032,273)	-	12,530,569
Construction-in-progress	48,476,460	-	-	48,476,460
Total	₩ 1,428,760,503	₩ (510,937,667)	₩ (5,499,346)	₩ 912,323,489

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 370,687,544	₩ -	₩ -	₩ 370,687,544
Buildings	168,316,847	(45,182,333)	(255,000)	122,879,514
Structures	183,489,910	(86,252,327)	-	97,237,583
LPG storage tanks	277,761,407	(121,571,685)	-	156,189,722
Machinery	309,667,598	(170,175,669)	(5,244,346)	134,247,583
Vehicles	294,013	(171,879)	-	122,134
Tools, furniture and fixtures	51,859,583	(40,753,850)	-	11,105,733
Construction-in-progress	23,162,588	-	-	23,162,588
Total	₩ 1,385,239,490	₩ (464,107,743)	₩ (5,499,346)	₩ 915,632,401

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

Changes in the book value of property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021					
	Jan. 1	Additions	Disposal	Depreciation	Transfers (*1)	Dec. 31
Land	₩ 370,687,544	₩ -	₩ (13,652,030)	₩ -	₩ -	₩ 357,035,514
Buildings	122,879,514	1,524,756	(226,497)	(5,710,144)	647,849	119,115,478
Structures	97,237,583	1,764,695	(2,335)	(7,357,475)	265,199	91,907,667
LPG storage tanks	156,189,722	5,735,087	(576,352)	(14,647,624)	1,732,859	148,433,692
Machinery	134,247,583	17,672,314	(763,750)	(19,914,204)	3,444,422	134,686,365
Vehicles	122,134	26,010	(2)	(62,098)	51,701	137,745
Tools, furniture and fixtures	11,105,733	7,276,921	(1,221,978)	(5,649,084)	1,018,977	12,530,569
Construction-in-progress	23,162,588	36,843,284	(838,587)	-	(10,690,825)	48,476,460
Total	₩ 915,632,401	₩ 70,843,067	₩ (17,281,531)	₩ (53,340,629)	₩ (3,529,818)	₩ 912,323,489

(*1) During the year ended December 31, 2021, ₩3,529,818 thousand was transferred to other intangible assets from construction-in-progress.

	2020						
	Jan. 1	Additions	Disposal	Depreciation	Transfers (*1)	Impairment	Dec. 31
Land	₩ 367,819,193	₩ 3,171,563	₩ (303,212)	₩ -	₩ -	₩ -	₩ 370,687,544
Buildings	121,985,753	3,669,254	(19,227)	(5,533,343)	3,032,077	(255,000)	122,879,514
Structures	102,464,142	1,742,852	-	(7,217,927)	248,516	-	97,237,583
LPG storage tanks	163,044,649	7,034,121	(222,781)	(14,085,380)	419,113	-	156,189,722
Machinery	136,794,267	15,446,878	(126,848)	(18,852,259)	6,229,891	(5,244,346)	134,247,583
Vehicles	97,053	29,099	(3)	(41,409)	37,394	-	122,134
Tools, furniture and fixtures	12,062,437	3,492,199	(220,088)	(5,085,569)	856,754	-	11,105,733
Construction-in-progress	20,147,561	21,986,849	(6,775,395)	-	(12,196,427)	-	23,162,588
Total	₩ 924,415,055	₩ 56,572,815	₩ (7,667,554)	₩ (50,815,887)	₩ (1,372,682)	₩ (5,499,346)	₩ 915,632,401

(*1) During the year ended December 31, 2020, ₩1,372,682 thousand was transferred to other intangible assets from construction-in-progress.

Borrowing cost

The amount of borrowing costs capitalized during the year ended December 31, 2021 was ₩ 267,836 thousand (2020: ₩ 43,921 thousand). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.48% (2020: 1.48%), which is the EIR of the specific borrowing.

Insured assets

The Company carries a comprehensive insurance to Samsung Fire & Marine Insurance and other insurance company on its property, plant and equipment against fire and other casualty losses for up to ₩1,239,980,450 thousand and ₩1,182,061,851 thousand as at December 31, 2021 and 2020, respectively.

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13. Intangible assets

Changes in the book value of intangible assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021							Dec. 31
	Jan. 1	Additions	Disposals	Amortization	Transfers (*1)	Impairment	Reversal of Impairment	
Memberships	₩ 12,425,226	₩ 1,271,360	₩ (302,065)	₩ -	₩ -	₩ (348,600)	₩ 1,461,695	₩ 14,507,616
Other intangible assets	18,870,341	8,857,507	(6,867)	(6,944,716)	3,529,818	-	-	24,306,083
	<u>₩ 31,295,567</u>	<u>₩ 10,128,867</u>	<u>₩ (308,932)</u>	<u>₩ (6,944,716)</u>	<u>₩ 3,529,818</u>	<u>₩ (348,600)</u>	<u>₩ 1,461,695</u>	<u>₩ 38,813,699</u>

(*1) During the year ended December 31, 2021, ₩ 3,529,818 thousand was transferred to other intangible assets from construction-in-progress.

	2020				
	Jan. 1	Additions	Amortization	Transfers (*1)	Dec. 31
Memberships	₩ 12,425,226	₩ -	₩ -	₩ -	₩ 12,425,226
Other intangible assets	18,170,263	4,912,786	(5,585,390)	1,372,682	18,870,341
Total	<u>₩ 30,595,489</u>	<u>₩ 4,912,786</u>	<u>₩ (5,585,390)</u>	<u>₩ 1,372,682</u>	<u>₩ 31,295,567</u>

(*1) During the year ended December 31, 2020, ₩ 1,372,682 thousand was transferred to other intangible assets from construction-in-progress.

Impairment test for the intangible assets with indefinite useful lives

The Company performed an impairment test on the memberships with indefinite useful lives and recognized impairment loss of ₩ 348,600 thousand and reversal of impairment loss of ₩ 1,461,695 thousand during the year ended December 31, 2021 (2020: nil).

14. Leases

Right-of-use assets as of December 31, 2021 and 2020 are follows (Korean won in thousands):

	2021		
	Acquisition cost	Accumulated depreciation	Net book value
Vessels	₩ 457,531,396	₩ (76,073,856)	₩ 381,457,540
LPG stations	93,835,342	(52,753,513)	41,081,829
Vehicles	3,507,466	(1,924,942)	1,582,524
Sites	749,260	(302,151)	447,109
The others	3,551,887	(2,594,939)	956,948
Total	<u>₩ 559,175,351</u>	<u>₩ (133,649,401)</u>	<u>₩ 425,525,950</u>

	2020		
	Acquisition cost	Accumulated depreciation	Net book value
Vessels	₩ 457,531,398	₩ (50,715,904)	₩ 406,815,494
LPG stations	87,674,546	(34,172,467)	53,502,079
Vehicles	3,027,732	(1,482,760)	1,544,972
Sites	743,253	(195,484)	547,769
The others	3,650,619	(1,870,123)	1,780,496
Total	<u>₩ 552,627,548</u>	<u>₩ (88,436,738)</u>	<u>₩ 464,190,810</u>

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14. Leases (cont'd)

Changes in the book value of right-of-use assets and lease liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021						Lease liabilities
	Right-of-use assets					Total	
	Vessels	LPG stations	Vehicles	Sites	The others		
Jan. 1	₩ 406,815,494	₩ 53,502,079	₩ 1,544,972	₩ 547,769	₩ 1,780,496	₩ 464,190,810	₩ 418,501,801
Increase	-	10,806,671	1,450,780	6,978	100,418	12,364,847	9,625,383
Decrease	-	(3,864,894)	(233,115)	-	-	(4,098,009)	(374,396)
Depreciation	(25,357,954)	(19,362,027)	(1,180,113)	(107,638)	(923,966)	(46,931,698)	-
Interest expense	-	-	-	-	-	-	10,645,651
Payment	-	-	-	-	-	-	(68,816,970)
Valuation (*1)	-	-	-	-	-	-	29,295,599
Dec. 31	₩ 381,457,540	₩ 41,081,829	₩ 1,582,524	₩ 447,109	₩ 956,948	₩ 425,525,950	₩ 398,877,068

(*1) This includes gain on valuation of foreign currency lease liabilities. During the year ended December 31, 2021, the Company recognized ₩466,455 thousand in profit and ₩22,559,636 thousand (including the effect of income tax) as other comprehensive income.

	2020						Lease liabilities
	Right-of-use assets					Total	
	Vessels	LPG stations	Vehicles	Sites	The others		
Jan. 1	₩ 436,804,544	₩ 67,891,703	₩ 1,934,963	₩ 521,754	₩ 2,803,453	₩ 509,956,417	₩ 510,895,287
Increase	-	3,885,889	807,437	128,120	105,925	4,927,371	4,900,810
Decrease	-	(347,337)	(126,392)	-	(225,863)	(699,592)	(364,461)
Depreciation	(29,989,050)	(17,928,176)	(1,071,036)	(102,105)	(903,019)	(49,993,386)	-
Interest expense	-	-	-	-	-	-	12,122,951
Payment	-	-	-	-	-	-	(84,786,917)
Valuation (*1)	-	-	-	-	-	-	(24,265,869)
Dec. 31	₩ 406,815,494	₩ 53,502,079	₩ 1,544,972	₩ 547,769	₩ 1,780,496	₩ 464,190,810	₩ 418,501,801

(*1) This includes gain on valuation of foreign currency lease liabilities. During the year ended December 31, 2020, the Company recognized ₩598,405 thousand in profit and ₩17,939,937 thousand (including the effect of income tax) as other comprehensive income.

Amounts recognized in the separate statements of profit or loss and other comprehensive income relating to leases are as follows (Korean won in thousands):

	Increase (decrease)	
	2021	2020
Profit:		
Interest income on financial lease receivables	₩ (1,235,623)	₩ (69,860)
Loss:		
Depreciation expense of right-of-use assets	46,931,698	49,993,386
Interest expense on lease liabilities	10,645,651	12,122,951
Expense relating to short-term lease and leases of low-value assets	3,976,826	5,252,406
Gain (loss) on valuation of lease liabilities recognized in profit or loss	(466,455)	(598,405)
Gain (loss) on valuation of lease liabilities recognized in other comprehensive income (loss) (*1)	22,559,636	(17,939,937)
Net amount recognized in comprehensive income	₩ 82,411,733	₩ 48,760,541

(*1) The effect of income tax included.

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14. Leases (cont'd)

Total cash outflows for leases for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Payment of principal portion of lease liabilities	₩ 58,171,319	₩ 72,663,966
Payment of interest portion of lease liabilities	10,645,651	12,122,951
Short-term lease payments, payments for leases of low-value assets and variable lease payments	3,976,826	5,252,406
Total	₩ 72,793,796	₩ 90,039,323

Undiscounted contractual repayment plans for lease liabilities related to right-of-use assets are as follows (Korean won in thousands):

	2021			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Vessels	₩ 48,915,451	₩ 223,741,151	₩ 125,500,876	₩ 398,157,478
LPG stations	19,821,982	27,085,326	652,000	47,559,308
Vehicles	913,323	715,432	-	1,628,755
Sites	114,911	356,184	1,974	473,069
The others	493,335	502,516	-	995,851
Total	₩ 70,259,002	₩ 252,400,609	₩ 126,154,850	₩ 448,814,461

Non-financial hedging

For stable LPG supply, the Company have signed long-term contracts for LPG transport with shipping companies and recognize the amount of foreign currency that we have to pay as a lease liability under the long-term contracts for LPG transport. Foreign currency sales of LPG revenue for petrochemicals provided at the same day with the repayment of the lease liabilities are exposed to the corresponding risk of exchange rate fluctuations. In order to avoid the risk of foreign currency fluctuations of LPG sales for petrochemical, the Company identified those foreign currency LPG sales instrument as the risks of exchange rate fluctuations and designated the lease liabilities as hedging instrument. Hedge accounting is applied, in which the repayment amount is designated as a hedge instrument for non-financial items.

During the year ended December 31, 2021, the Company recognized ₩22,559,636 thousand of valuation loss (including the income tax effect) (₩ 17,939,937 thousand of valuation gain in 2020) on the hedging instruments in other comprehensive income or loss since it was determined to be the effective portion of the cash flow hedges. The amounts are included in lease liabilities.

Company as a lessor

Details of financial lease receivable contract maturity analysis are as follows (Korean won in thousands):

	2021	2020
Less than 1 year	₩ 1,208,000	₩ 924,000
1 to 5 years	2,223,000	1,724,000
More than 5 years	-	192,000
Total	₩ 3,431,000	₩ 2,840,000

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14. Leases (cont'd)

Operating leases

The Company have signed operating lease contracts for tanks, LPG gas stations, offices, etc., with the period from 1 to 14 years. The contracts include provisions to adjust lease payments according to market conditions. The rental income recognized by the Company during the year ended December 31, 2021 was ₩65,936,290 thousand (₩67,645,145 thousand in 2020).

As of December 31, 2021 and 2020, the future undiscounted lease payment plans related to the operating lease contract provided by the Company are as follows (Korean won in thousands):

	2021	2020
Less than 1 year	₩ 64,459,023	₩ 66,224,250
1 to 5 years	157,625,225	193,488,136
More than 5 years	650,710	48,295,007
Total	<u>₩ 222,734,958</u>	<u>₩ 308,007,393</u>

15. Trade and other payables

Trade and other payables as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Trade payables	₩ 71,205,859	₩ 200,274,218
Other payables	89,552,320	118,353,301
Accrued expenses	30,134,379	24,538,613
Total	<u>₩ 190,892,558</u>	<u>₩ 343,166,132</u>

16. Borrowings

Short-term borrowings

Short-term borrowings as of December 31, 2021 and 2020 consist of the following (Korean won in thousands and US dollar):

Classification	Financial institution	Interest rate (%)	2021	2020
Usance	Kookmin Bank and others	0.54 ~ 1.04	₩ 796,493,518 (US\$ 671,862,942)	₩ 571,739,647 (US\$ 525,495,999)
Commercial Paper	KB securities	-	-	60,000,000
Total			<u>₩ 796,493,518</u> <u>(US\$ 671,862,942)</u>	<u>₩ 631,739,647</u> <u>(US\$ 525,495,999)</u>

Current portion of long-term borrowings

Current portion of long-term borrowings as of December 31, 2021 and 2020 consist of the following (Korean won in thousands):

	2021	2020
Current portion of bonds payable	₩ 199,953,852	₩ -

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16. Borrowings (cont'd)

Bonds payable

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

	Issue date	Maturity date	Interest rate (%)	2021	2020	Description
33-2 nd unsecured	2015.03.06	2022.03.06	2.58	₩ 100,000,000	₩ 100,000,000	
34-2 nd unsecured	2017.04.17	2022.04.17	2.42	100,000,000	100,000,000	
35-1 st unsecured	2019.09.27	2024.09.27	1.79	40,000,000	40,000,000	
35-2 nd unsecured	2019.09.27	2026.09.27	2.07	80,000,000	80,000,000	
36-1 st unsecured	2020.03.06	2023.03.06	1.37	50,000,000	50,000,000	
36-2 nd unsecured	2020.03.06	2025.03.06	1.56	140,000,000	140,000,000	Interest payment at every quarter and lump-sum repayment on maturity
36-3 rd unsecured	2020.03.06	2027.03.06	1.82	60,000,000	60,000,000	
37-1 st unsecured	2020.06.19	2023.06.19	1.46	100,000,000	100,000,000	
37-2 nd unsecured	2020.06.19	2025.06.19	1.70	60,000,000	60,000,000	
37-3 rd unsecured	2020.06.19	2027.06.19	1.96	90,000,000	90,000,000	
38-1 st unsecured	2021.03.04	2024.03.04	1.31	50,000,000	-	
38-2 nd unsecured	2021.03.04	2026.03.04	1.73	150,000,000	-	
38-3 rd unsecured	2021.03.04	2028.03.04	2.08	100,000,000	-	
39-1 st unsecured	2021.07.20	2024.07.20	1.77	80,000,000	-	
39-2 nd unsecured	2021.07.20	2028.07.20	2.28	70,000,000	-	
Sub-total				1,270,000,000	820,000,000	
Less: discount on bonds				(3,388,451)	(2,437,828)	
Less: current portion				(199,953,852)	-	
Total				₩ 1,066,657,697	₩ 817,562,172	

Long-term borrowings

Long-term borrowings as of December 31, 2021 and 2020 consist of the following (Korean won in thousands and US\$):

	Financial institution	Last Expiration Date	Interest rate (%)	2021	2020
Oil exploration loans (*1)	Korea Energy Agency	-	-	₩ -	₩ 188,071 (US\$ 179,599.9)

(*1) The Company has an obligation to repay the oil exploration loans, including interests based on a 3-year government bond, only in the event that the oil exploration results in a successful commercial production. As the oil exploratory project has been suspended during the year ended December 31, 2020, the Company was exempt from the repayment of the principal and interest and recognized bad debt expenses for the entire loan relating to the project and the allowance for bad debt related to the loan was fully written off during the current year (see Note 10).

17. Defined benefit liabilities

The Company has a defined benefit pension plan for its employees, and the present value of the pension liability is determined using the projected unit credit method based on actuarial assumptions and on a discount basis by an independent actuary firm.

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

	2021		2020
Changes in defined benefit liabilities:			
Beginning balance	₩ 2,412,906	₩	2,706,505
Retirement benefits paid	(743,505)		(624,574)
Provision during the period	4,739,397		4,392,860
Re-measurement loss	1,253,539		1,623,131
Contributions by the Company	(5,479,893)		(5,685,016)
Ending balance	2,182,444		2,412,906
Defined benefit liabilities in the separate statement of financial position:			
Present value of defined benefit obligation	39,583,152		34,434,376
Fair value of plan assets	(37,400,708)		(32,021,470)
Total	₩ 2,182,444	₩	2,412,906

Expenses incurred in relation to the defined benefit pension plan for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021		2020
Current service cost	₩ 4,683,901	₩	4,333,318
Interest cost on defined benefit obligation	763,926		612,552
Expected return on plan assets	(708,430)		(553,010)
Total	₩ 4,739,397	₩	4,392,860

Changes in the present value of the defined benefit obligation for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021		2020
Beginning balance	₩ 34,434,376	₩	29,331,551
Retirement benefits paid	(2,809,918)		(1,789,076)
Current service cost	4,683,901		4,333,318
Interest cost on defined benefit obligation	763,926		612,552
Re-measurement loss	1,062,357		1,556,729
Transfer from/to related parties	1,448,510		389,302
Ending balance	₩ 39,583,152	₩	34,434,376

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17. Defined benefit liabilities (cont'd)

Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Beginning balance	₩ (32,021,471)	₩ (26,625,046)
Retirement benefits paid	2,066,414	1,164,502
Expected return on plan assets	(708,430)	(553,009)
Re-measurement loss	191,182	66,402
Contributions by the Company	(5,479,893)	(5,685,017)
Transfer from/to related parties	(1,448,510)	(389,302)
Ending balance	<u>₩ (37,400,708)</u>	<u>₩ (32,021,470)</u>

As of December 31, 2021 and 2020, plan assets consist of time deposits and others.

The components of the re-measurement loss of the defined benefit pension plan for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Re-measurement loss:		
Demographic assumptions	₩ -	₩ 619,058
Financial assumptions	(187,422)	(836,103)
Empirical adjustments	1,249,779	1,773,774
Sub-total	<u>1,062,357</u>	<u>1,556,729</u>
Remeasurements of plan assets:	191,182	66,402
Total	<u>₩ 1,253,539</u>	<u>₩ 1,623,131</u>

The principal assumptions used in the actuarial calculation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	3.65 %	2.30 %
Future salary increases	4.58 %	3.30 %

The following table demonstrates a sensitivity analysis on the effect of changes in the principal assumptions used in the actuarial calculation on the present value of the defined benefit obligation as of December 31, 2021 and 2020 (Korean won in thousands):

	2021			
	Changes in discount rate		Changes in future salaries increase rate	
	+1% points	-1% points	+1% points	-1% points
Defined benefit obligation	₩ (2,252,857)	₩ 2,650,738	₩ 2,599,660	₩ (2,255,254)
	2020			
	Changes in discount rate		Changes in future salaries increase rate	
	+1% points	-1% points	+1% points	-1% points
Defined benefit obligation	₩ (2,508,657)	₩ 2,895,198	₩ 2,934,415	₩ (2,592,076)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The expected payment to the defined benefit plan in the next reporting period is ₩ 4,775,088 thousand and the average duration of the defined benefit plan obligation as of December 31, 2021 is 10.8 years.

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18. Other financial liabilities

Other financial liabilities as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Other current financial liabilities:		
Financial guarantee liabilities	₩ 284,468	₩ 238,066
Other non-current financial liabilities:		
Long-term deposits	4,238,917	3,835,921
Non-current financial liabilities	29,934,973	28,897,551
Stock Appreciation Rights (Note 24)	392,192	-
Total	<u>₩ 34,566,082</u>	<u>₩ 32,733,472</u>

19. Other liabilities

Other current liabilities and other non-current liabilities as at December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Other current liabilities:		
Advance received	₩ 4,895,476	₩ 13,549,834
Contract liabilities (Note 25)	3,242,306	-
Withholding tax	629,450	514,620
Other withholdings	221,915	192,238
Total	<u>₩ 8,989,147</u>	<u>₩ 14,256,692</u>
Other non-current liabilities:		
Long-term unearned income	₩ 96,719	₩ 107,020
Other long-term employee benefits	649,902	-
Total	<u>₩ 746,621</u>	<u>₩ 107,020</u>

20. Derivative instruments

Derivative assets and liabilities as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021			
	Derivative assets		Derivative liabilities	
	Current	Non-current	Current	Non-current
Currency forward contracts	₩ 4,321,998	₩ -	₩ 1,851,913	₩ -
LPG forward contracts	61,003,134	9,854,392	14,402,026	-
Options	-	3,497,195	-	-
TRS	-	36,687,000	-	-
Total	<u>₩ 65,325,132</u>	<u>₩ 50,038,587</u>	<u>₩ 16,253,939</u>	<u>₩ -</u>
	2020			
	Derivative assets		Derivative liabilities	
	Current	Non-current	Current	Non-current
Currency forward contracts	₩ 1,264,474	₩ -	₩ 26,006,142	₩ -
LPG forward contracts	93,958,559	-	70,204,040	926,400
TRS	-	18,709,000	-	-
Total	<u>₩ 95,223,033</u>	<u>₩ 18,709,000</u>	<u>₩ 96,210,182</u>	<u>₩ 926,400</u>

20. Derivative instruments (cont'd)

The Company evaluates derivatives at fair value at the time of initial recognition and at the end of each reporting period, and for long-term forward derivatives contracts with a maturity of more than one year, the amount that has taken into account the time value of money is reflected in adjusted profit or loss.

Outstanding currency forward contracts as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021				
Financial institution	Buy/sell	Contracted notional amount	Derivative assets	Derivative liabilities
Hana Bank and others	Buy	\$ 817,374,148	₩ 3,988,900	₩ 784,035
	Sell	203,775,977	333,098	1,067,878
Total			₩ 4,321,998	₩ 1,851,913

2020				
Financial institution	Buy/sell	Contracted notional amount	Derivative assets	Derivative liabilities
Hana Bank and others	Buy	\$ 582,042,608	₩ -	₩ 25,966,188
	Sell	119,997,140	1,264,474	39,954
Total			₩ 1,264,474	₩ 26,006,142

Outstanding LPG forward contracts as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021				
Account	Buy/Sell	Quantities	Contracted notional amount (USD)	Fair value(*1)
ICE	Buy	1,201,000 barrel	60,061,125	₩ 10,483,966
		659,000 ton	312,920,300	50,122,216
ICE	Sell	1,232,000 barrel	76,692,930	(8,781,557)
		194,500 ton	99,628,140	(9,113,337)
Macquarie	Buy	72,000 barrel	3,570,090	1,132,216
		9,600 ton	3,208,588	964,332
Macquarie	Sell	9,000 barrel	522,270	(78,930)
		1,200 ton	467,448	(59,051)
Nymex	Buy	830,000 mmbtu	21,004,900	3,591,294
		9,234,000 barrel	454,351,275	17,573,987
Nymex	Sell	303,500 ton	215,072,270	(3,041,282)
		9,027,000 barrel	449,951,985	(11,817,338)
		324,500 ton	212,111,635	5,478,984
				₩ 56,455,500

(*1) The Company offsets derivative assets and liabilities that have the same maturity on the same exchange.

2020				
Account	Buy/Sell	Quantities	Contracted notional amount (USD)	Fair value(*1)
ICE	Buy	3,596,000 barrel	128,170,880	₩ 18,220,109
		749,800 ton	254,360,310	89,184,932
ICE	Sell	2,236,000 barrel	108,056,660	5,170,973
		748,700 ton	268,864,380	(101,177,199)
Macquarie	Buy	93,000 barrel	4,273,240	(365,545)
		12,900 ton	4,000,950	(379,334)
Macquarie	Sell	6,000 barrel	218,800	(54,943)
		900 ton	228,900	(43,522)
Nymex	Buy	20,585,000 barrel	474,633,531	136,807,712
		871,000 ton	322,460,890	143,944,129
Nymex	Sell	19,152,000 barrel	401,512,209	(143,984,822)
		841,000 ton	343,909,870	(124,494,371)
				₩ 22,828,119

(*1) The Company offsets derivative assets and liabilities that have the same maturity on the same exchange.

20. Derivative instruments (cont'd)

Outstanding options as of December 31, 2021 are as follows (Korean won in thousands):

Outstanding options	Contracted notional amount (MT)	Derivative assets	Derivative liabilities
Buying call options and Selling put options (ZCC Option)(*1)	504,000	₩ 3,497,195	₩ -

(*1) This is the evaluation of derivative assets and liabilities according to the contract price hedging strategy.

The Total Return Swap agreement (TRS)

The Company has entered into a lease agreement for LPG Station for 7 years from the date of the contract with Pine Street Charging Station Private Trust, which has acquired 48 LPG stations from SK Networks Co Ltd. and signed a Total Return Swap agreement with Buldu First Inc, Buldu Second.Inc, Buldu Third.Inc. The Total Return Swap agreement consists of the total return swap associated with changes in the value of the LPG station on the contract expiration date and the total return exchange swap associated with principal and interest during the contract period. During the year ended December 31, 2021, the valuation gain recognized due to the agreement is ₩ 17,978 million (2020: ₩ 5,814million).

21. Commitments and contingences

Outstanding litigation

As of December 31, 2021, the Company is involved in a pending litigation where the Company and other LPG suppliers have been named as defendants in a price-fixing scheme resulting from an investigation conducted by Korea Fair Trade Commission. The Company is a defendant in the following major lawsuits and the final outcome of the pending litigations cannot presently be determined as of December 31, 2021 (Korean won in thousands):

Description	Plaintiff	Defendant	Claim amount	Status
Litigation arising from the Fair Trade Commission investigation	Yoo, In-chul and others	The Company and others	₩ 16,160,000	First trial in process
	Gangbuk transportation Co., Ltd. and others	The Company and others	4,722,000	First trial in process
	Jung, Man-woo and others	The Company and others	4,289,000	First trial in process
Litigation to confirm absence of debt	GNS Co., Ltd. and others	The Company	2,400,000	Before the designation of pleading date

21. Commitments and contingences (cont'd)

Major commitments

As of December 31, 2021, major commitments of the Company are as follows:

Parties	Details
Kookmin Bank and others	Foreign currency transaction commitments for up to \$2,077 million. Local currency borrowing commitments for up to ₩43,000 million.
Trafigura and others	Purchase agreements for 1,464 thousand tons of LPG.
E1, GS Caltex and SK Energy etc.	LPG commodity exchange agreement
SK CHEMICALS CO., Ltd. and SK Advanced Co., Ltd.	Contract for long-term supply of LPG
Goseong Green Power (*1)	Agreement for long-term supply of coal
SK Gas USA Inc	Additional investments commitment of ₩812 million.
Pine Street Charging Station Private Equity Trust	lease contract for LPG filling stations
Buldu First, Buldu Second, Buldu Third Inc	Changes in the value of the LPG filling station and the total revenue exchange agreement with the contractual period principal
SK Energy Co.,Ltd.(*2)	The Company entered into a contract to lease additional mooring facilities for oil tankers for ₩46.5 billion.
SK Lubricants Co., Ltd. (*3)	Consignment contract on reservoirs for petroleum products.
Korea Energy Terminal Co., Ltd. (*4)	Stock sales contract (₩82,484 million), agreement between shareholders and basic contract for using liquefied gas terminal
G-Energy Corp. (*5)	Agreement for joint exercise of coal supply right

(*1) The contract period for the coal long-term supply contract is from October 31, 2020 to April 30, 2051.

(*2) Regarding the above arrangement, the long- and short-term prepaid expenses amounted to ₩32,938 million are recorded.

(*3) Effective from March 26, 2012 to March 25, 2026, a consignment fee of ₩45 billion per annum (adjusted for inflation), plus the amounts in excess of maximum amounts stipulated in the contract.

(*4) This is the amount of investment applied to the total size of the business and the purchase amount of the old stock with 45.5% of the Company's initial stake. The equity ratio and amount can be changed and will be paid in installments over the next two years. Also, the contract period for the liquified gas terminal is 20 years from the commencement date of commercial operation.

(*5) The Company receives a commission for joint exercise of the coal supply right from G-Energy Corp. Even after the entering into the contract for the joint exercise of the coal supply right, the Company maintains the contractual status and other matters for the long-term coal supply contract with Goseong Green Power Co., Ltd.

Other commitments

(1) As of December 31, 2021, the Company holds voting rights for 0.74% equity interests in Ulsan GPS Co., Ltd. and 11.13% equity interests in Dangjin Eco Power Co., Ltd. held by Korea Development Bank. Put options held by Korea Development Bank can be exercised until one year from the start date of commercial production by Ulsan GS Co., Ltd. The present value of ₩ 33,570,000 thousand of exercise price which will be paid in the event the put option is exercised is recorded as other non-current financial liabilities.

(2) Regarding the long-term coal supply contract signed with Goseong Green Power Co., Ltd., the Company signed an agreement for a joint supply of coal with G-Energy Corp., a joint venture between the Company and GS Global Corp. The period of joint venture between the Company and GS Global Corp. through G Energy Corp. is until the end of 2025, but the extension is determined annually. When the joint venture is terminated, the Company and GS Global Corp. each holds a call option and a put option to purchase or sell all of the mutually held stocks of G-Energy Corp. at the issuance price.

21. Commitments and contingences (cont'd)

Collateral pledged

As of December 31, 2021, the assets and pledged notes provided as collateral to the other party are as follows. (Korean won in millions):

Pledged assets	Pledged to	Collateralized amount	Related borrowing
Investments in joint ventures (*1)	Korea Development Bank and others	₩ 166,925	Provided for Korea Energy Terminal Co., Ltd.'s borrowings of ₩ 142,700 million

(*1) The collateral value includes the acquisition cost of ₩ 84,441 million for 1,660,822 shares of Korea Energy Terminal Co., Ltd. held by the Company and ₩ 82,484 million for additional investment under the stock purchase contract.

Payment guarantees

Details of payment guarantees provided to the Company as of December 31, 2021 are as follows (Korean won in thousands):

Payment guarantees received	Guarantor	Guarantee amount	Details
	Seoul Guarantee Insurance Company	₩ 5,195,010	Performance and deposit guarantees

The Company provided payment guarantees to others for its subsidiaries to others and the details are as follows (Korean won in thousands):

Guaranteed Company	Guarantor	Guaranteed period	Payment guarantee	Details
SK Gas International Pte. Ltd.	Saudi Arabian Oil Co. (ARAMCO)	2021.01.01~2021.12.31	USD 35,000,000	(* 1)
	TRAFIGURA PTE LTD		USD 25,000,000	
	GLENCORE		USD 38,000,000	
SK Gas Trading LLC	SMBC(NY)	2021.06.11~2022.06.10	USD 50,000,000	(* 2)
	SC USA		USD 30,000,000	
	Woori Bank (NY)		USD 80,000,000	
	MIZUHO Bank (LA)		USD 120,000,000	
Subsidiaries	Hana Bank (LA)		USD 40,000,000	
	AGIC	2021.09.17~2024.06.30	USD 123,102,000	(* 3)
	-	2022.02.25~2025.02.25	₩ 100,000,000	(* 4)
SK Gas Petrochemical Pte. Ltd.		2022.02.25~2027.02.25	₩ 50,000,000	
Ulsan GPS Co., Ltd.			₩ 150,000,000	
Total in Korean won in thousands			₩ 150,000,000	
Total in USD			USD 541,102,000	

(*1) This is a payment guarantee for the purchase price of LPG, and the payment guarantee amount for 2022 has been changed to \$91 million through a resolution of the board of directors.

(*2) Payment guarantees for the credit line.

(*3) This is a performance guarantee for all obligations as a shareholder, including investment in new businesses, and the Company has fulfilled its obligation to invest USD 60.1 million of the total guaranteed amount as of December 31, 2021.

(*4) The Company guarantees the payment of principal and interest for public offering bonds scheduled to be issued by Ulsan GPS Co., Ltd. until the final repayment of the principal and interest, and the stated amount is the par value of the bonds scheduled to be issued by Ulsan GPS Co., Ltd.

SK Gas Co., Ltd.
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22. Related party

Related parties of the Company and nature of their relationship with the Company as of December 31, 2021 are as follows:

Relationship	Related party
Parent	SK Discovery Co., Ltd.
Subsidiaries	SK Gas International Pte. Ltd., SK Gas USA Inc., SK Gas Trading LLC (*1), Ulsan GPS Co., Ltd., SK Gas Petrochemical Pte. Ltd.(*2)
Associates and joint ventures	Dangjin Eco Power Co., Ltd., SK Advanced Co., Ltd., Korea Energy Terminal Co., Ltd. (*3), Goseong Green Power Co., Ltd., Global Opportunities Fund, SK Holdco Pte. Ltd., Gridwiz Co., Ltd., Weonil Energy Co., Ltd., Bitgoeul Eco Energy Co., Ltd. (*3), G-Energy Corp.(*4), KOHYGEN Corp.(*4), VOPAK GAS TERMINAL LLP (*5), SK International Investment Singapore Pte. Ltd. (*5), Advanced Polyolefins Industry Company(*6)
Others	Affiliates of SK Enterprise Group (*7)

(*1) The entity is a subsidiary of SK Gas USA Inc.

(*2) The entity is a subsidiary of SK Gas International Pte. Ltd.

(*3) The entities have been included in associates and joint ventures as the Company acquired the shares therein during the year ended December 31, 2020.

(*4) The entities have been included in associates and joint ventures as the Company acquired the shares therein during the year ended December 31, 2021.

(*5) The entity is an associate of SK Gas International Pte. Ltd.

(*6) The entity is an associate of SK Gas Petrochemical Pte. Ltd. and has been included in associates and joint ventures as the Company acquired the shares therein during the year ended December 31, 2021.

(*7) The entities have been classified as related parties as designated by the Fair Trade Commission in accordance with the relation of substance as prescribed in paragraph 10 of KIFRS 1024.

SK Gas Co., Ltd.
Notes to the separate financial statements
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22. Related party (cont'd)

Significant transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

		2021				
Related party		Sales (*1)	Other income, sales of asset and others (*2)	Purchases	Other expenses and capital expenditure(*2)	
Parent	SK Discovery Co., Ltd. (*3)	₩ -	₩ 283,184,988	₩ -	₩ 27,365,466	
Subsidiaries	SK Gas International Pte. Ltd.	385,332,049	47,649	911,601,448	-	
	SK Gas Trading LLC	-	956,479	1,572,464,951	117,474	
	Ulsan GPS Co., Ltd.	-	2,349,524	-	288,373	
Associates and joint ventures	SK D&D Co., Ltd. (*4)	-	6,975,775	-	601,551	
	SK Advanced Co., Ltd.	692,342,827	5,386,496	-	310,306	
	Korea Energy Terminal Co., Ltd.	-	2,604,147	-	59,218	
	Gridwiz Co., Ltd.	-	-	-	175,000	
	Weonil Energy Co., Ltd.	8,099,275	3	142,774	-	
	Bitgoeul Eco Energy Co., Ltd.	-	20,647	-	-	
	SK Holdco Pte. Ltd.	-	4,216	-	25,962	
	G-Energy Corp.	-	1,711,693	-	-	
	Others	SK Holdings Co., Ltd.	-	-	-	17,881,574
		SKC LTD	-	-	-	5,495
SK picglobal		31,992,877	5,762	-	1,540	
SK Lubricants Co., Ltd		47,340,366	-	-	-	
SK Energy Co., Ltd.		79,235,334	7,836,157	70,029,235	13,011,187	
SK Innovation Co., Ltd.		-	-	-	3,106,233	
SK Geo Centric Co., Ltd. (*5)		5,869,470	162,136	-	-	
SK Incheon Petrochem Co., Ltd.		14,752,088	-	-	384,451	
SK Planet Co., Ltd.		-	-	-	7,059,677	
SK Chemicals Co., Ltd.		6,028,432	3,289,292	-	386,951	
Ulsan aromatics Co., Ltd.		30,156,288	78,382	-	-	
SK Networks Co., Ltd.,		-	-	482,847	174,373	
SK ecoplant Co., Ltd. (*6)		-	-	-	10,890,837	
SK bioscience Co., Ltd.	-	745,004	-	-		
SK shielders Co., Ltd. (*7)	-	-	-	1,628,472		
Other	-	1,178	-	2,677,681		
Total		₩ 1,301,149,006	₩ 315,359,528	₩ 2,554,721,255	₩ 86,151,821	

(*1) In the above related party transactions with SK Energy Co., Ltd., taxes and dues were excluded from LPG sales.

(*2) Dividend receipts and payments are included.

(*3) During the current year, shares on SK D&D Co., Ltd. were disposed for ₩ 282,757 million, and recognized the gain on disposition of share of ₩ 80,285 million.

(*4) It's transactions until the termination of the joint venture relationship.

(*5) SK Global Chemical Co., Ltd. changed its name to SK Geo Centric Co., Ltd. during the year ended December 31, 2021.

(*6) SK Engineering & Construction Co., Ltd. changed its name to SK ecoplant Co., Ltd. during the year ended December 31, 2021.

(*7) SK infosec Co., Ltd. changed its name to SK shielders Co., Ltd. after merging with ADT Caps Co., Ltd. year ended December 31, 2021.

SK Gas Co., Ltd.
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22. Related party (cont'd)

		2020			
	Related party	Sales (*1)	Other income, sales of asset and others (*2)	Purchases	Other expenses and capital expenditure(*2)
Parent	SK Discovery Co., Ltd.	₩ -	₩ 240,851	₩ -	₩ 18,370,988
Subsidiaries	SK Gas International Pte. Ltd.	297,174,324	26,778	476,965,655	-
	SK Gas Trading LLC	-	229,738	821,668,708	184,087
	Ulsan GPS Co., Ltd.	-	279,581	-	-
Associates and joint ventures	SK D&D Co., Ltd.	-	4,910,049	-	97,077
	SK Advanced Co., Ltd.	407,505,989	10,154,871	-	217,549
	Korea Energy Terminal Co., Ltd.	-	8,483,284	-	-
	Weonil Energy Co., Ltd.	7,148,083	-	167,038	-
	SK Holdings Co., Ltd.	-	7,749	-	-
	Gridwiz Co., Ltd.	-	39,809	-	-
Others	SK Holdings Co., Ltd.	-	-	-	15,992,914
	SKC LTD	2,218,257	5,717	-	-
	SK picglobal	15,753,757	-	-	-
	SK Lubricants Co., Ltd	46,447,329	-	-	-
	SK Energy Co., Ltd.	92,364,260	6,114,868	3,940,955	9,014,783
	SK Innovation Co., Ltd.	-	4,395	-	2,832,896
	SK Geo Centric Co., Ltd. (*3)	44,579,676	160,393	-	1,147,747
	SK Incheon Petrochem Co., Ltd.	19,087,062	-	-	-
	SK Planet Co., Ltd.	-	-	-	7,394,694
	SK Chemicals Co., Ltd.	5,293,344	467,253	-	275,209
	Ulsan aromatics Co., Ltd.	26,145,898	74,682	-	-
	SK Networks Co., Ltd.,	-	-	293,844	432,584
	SK ecoplant Co., Ltd. (*4)	-	-	-	164,761
	SK bioscience Co., Ltd.	-	274,074	-	-
	SK shielders Co., Ltd. (*5)	-	-	-	1,116,802
SK Wyverns Co., Ltd.	-	-	-	1,000,000	
Other	-	810	-	2,467,375	
Total		₩ 963,717,979	₩ 31,474,902	₩ 1,303,036,200	₩ 60,709,466

(*1) In the above related party transactions with SK Energy Co., Ltd., taxes and dues were excluded from LPG sales.

(*2) Dividend receipts and payments are included.

(*3) SK Global Chemical Co., Ltd. changed its name to SK Geo Centric Co., Ltd. during the year ended December 31, 2021.

(*4) SK Engineering & Construction Co., Ltd. changed its name to SK ecoplant Co., Ltd. during the year ended December 31, 2021.

(*5) SK infosec Co., Ltd. changed its name to SK shielders Co., Ltd. after merging with ADT Caps Co., Ltd. during the year ended December 31, 2021.

SK Gas Co., Ltd.
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22. Related party (cont'd)

Outstanding balances with the related parties as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	Related party	2021				
		Trade receivables	Other receivables	Trade payables	Other payables	
Parent	SK Discovery Co., Ltd.	₩ -	₩ 36,351	₩ -	₩ 642,389	
Subsidiaries	SK Gas International Pte. Ltd.	18,723,053	185,962	2,135,596	-	
	SK Gas Trading LLC	-	313,949	35,423,496	65,315	
	Ulsan GPS Co., Ltd.	-	39,967	-	261,522	
Associates and joint ventures	SK Advanced Co. Ltd	153,778,398	114,524	-	234,835	
	Weonil Energy Co., Ltd.	1,169,483	-	-	11,023	
	Korea Energy Terminal Co., Ltd.	-	918,854	-	-	
	G-Energy Corp.	-	188,837	-	-	
	SK Holdco Pte. Ltd.	-	135,634	-	25,962	
	Others	SK Holdings Co., Ltd.	-	-	-	992,531
Others	SK D&D Co., Ltd.	-	158,911	-	717,747	
	SK Incheon Petrochem Co., Ltd.	7,470,682	-	-	-	
	SK Lubricants Co.,Ltd.	4,324,985	-	-	7,154	
	SK Energy Co., Ltd. (*1)	10,431,931	33,655,548	4,520,870	1,076,254	
	SK Chemicals Co., Ltd	880,110	115,321	-	25,488	
	SK picglobal	5,365,705	-	-	-	
	Ulsan aromatics Co., Ltd.	4,965,662	43,110	-	-	
	SK Planet Co., Ltd.	-	-	-	1,610,895	
	SK ecoplant Co., Ltd. (*2)	-	-	-	2,175,351	
	SK bioscience Co.,Ltd.	-	104,116	-	361,505	
	Others	-	95,990	-	774,066	
	Total		₩ 207,110,009	₩ 36,107,074	₩ 42,079,962	₩ 8,982,037

(*1) The amount due to the LPG volume exchange transaction is excluded.

(*2) SK Engineering & Construction Co., Ltd. changed its name to SK ecoplant Co., Ltd. during the year ended December 31, 2021.

SK Gas Co., Ltd.
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22. Related party (cont'd)

	Related party	2020			
		Trade receivables	Other receivables	Trade payables	Other payables
Parent	SK Discovery Co., Ltd.	₩ -	₩ 25,487	₩ -	₩ 449,037
Subsidiaries	SK Gas International Pte. Ltd.	40,243,700	30,525	9,354,794	23,857
	SK Gas Trading LLC	-	229,738	23,357,357	63,703
	Ulsan GPS Co., Ltd.	-	15,636	-	76,682
Associates and joint ventures	SK D&D Co., Ltd.	-	154,679	-	685,613
	SK Advanced Co. Ltd	77,883,358	525,209	-	315,203
	Korea Energy Terminal Co., Ltd.	-	3,894,954	-	-
	Weonil Energy Co., Ltd.	1,011,210	-	-	19,934
Others	SK Holdco Pte. Ltd.	-	105,455	-	-
	SK Incheon Petrochem Co., Ltd.	3,442,597	-	-	-
	SK Holdings Co., Ltd.	-	-	-	1,561,567
	SK Lubricants Co.,Ltd.	4,223,009	-	-	-
	SK Energy Co., Ltd. (*1)	5,824,563	36,423,024	4,542,144	1,004,115
	SK picglobal	2,195,368	-	-	-
	SK Innovation Co., Ltd	-	-	-	334,799
	SK Planet Co., Ltd.	-	-	-	1,783,160
	SK Chemicals Co., Ltd	442,194	111,763	-	23,875
	Ulsan aromatics Co., Ltd.	2,051,461	41,075	-	-
	SK bioscience Co.,Ltd.	-	37,916	-	215,832
	SK shieldus Co.,Ltd. (*2)	-	-	-	166,210
	Others	-	91,365	-	280,794
Total		₩ 137,317,460	₩ 41,686,826	₩ 37,254,295	₩ 7,004,381

(*1) The amount due to the LPG volume exchange transaction is excluded.

(*2) SK infosec Co., Ltd. changed its name to SK shielders Co., Ltd. after merging with ADT Caps Co., Ltd. during the year ended December 31, 2021.

Transactions with related parties

Treasury transactions

There is no treasury transaction with the related parties during the current year, the major treasury transactions with the related parties for the year ended December 31, 2020 was as follows (Korean won in thousands):

Description	Related party	2020			
		Jan.1	Loan	Collection	Dec.31
Associate	Gridwiz Co., Ltd.	₩ -	₩ 10,000,000	₩ 10,000,000	₩ -

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22. Related party (cont'd)

Other transactions

Other transactions with the related parties for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

Description	Related party	Investment	
		2021	2020
Subsidiaries	Ulsan GPS Co., Ltd.	₩ 160,000,000	₩ 65,000,000
	SK Gas International Pte. Ltd.	50,198,616	
	SK GAS USA Inc	24,364,250	-
	Sub-total	234,562,866	65,000,000
Associates and joint ventures	SK D&D Co., Ltd.	-	51,100,000
	Gridwiz Co., Ltd.	-	8,501,260
	Korea Energy Terminal Co., Ltd.	39,098,450	41,518,000
	Bitgoeul Eco Energy Co., Ltd.	4,611,000	-
	KOHYGEN Corp.	950,000	-
	G-Energy Corp.	100,000	-
	Goseong Green Power Co., Ltd.	170,240,000	-
Sub-total	214,999,450	101,119,260	
Total		₩ 449,562,316	₩ 166,119,260

Compensation for key management personnel for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Salaries	₩ 5,362,372	₩ 4,139,330
Retirement benefits	797,018	734,433
Stock compensation cost	90,687	228,814
Total	₩ 6,250,077	₩ 5,102,577

The Company provides guarantees of payment to others for its subsidiaries (see Note 21).

23. Equity

Issued capital

Issued capital as of December 31, 2021 and 2020 are as follows (Korean won in thousands, except par value amounts):

	2021		2020
Authorized shares	20,000,000		20,000,000
Par value	₩ 5,000	₩	5,000
Ordinary shares issued	9,230,244		9,230,244
Issued capital	₩ 46,151,220	₩	46,151,220

Capital surplus

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

	2021		2020
Paid in capital in excess of par value	₩ 30,356,778	₩	30,356,778
Revaluation reserve	120,748,809		120,748,809
Treasury stock gains	44,174,341		44,174,341
Other capital surplus (*1)	61,434,574		61,434,574
	₩ 256,714,502	₩	256,714,502

(*1) Includes a merger gain of ₩61,222,309 thousand from the merger with G. Hub Co., Ltd.

Other components of equity

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

	2021		2020
Treasury stock (*1)	₩ (7,418,439)	₩	(7,418,439)
Stock option	1,125,718		857,168
Total	₩ (6,292,721)	₩	(6,561,271)

(*1) The Company acquired treasury stock at market price for the purpose of stabilizing its stock price. As of December 31, 2021, the number of shares of treasury stocks outstanding is 255,198 shares.

Accumulated other comprehensive income (loss)

As of December 31, 2021 and 2020, details of other comprehensive income (loss) are as follows (Korean won in thousands):

	2021		2020
Gain (loss) on valuation of financial instruments at FVOCI	₩ 4,145	₩	(2,841,055)
Gain (loss) on valuation of lease liabilities for cash flow hedge	(11,856,384)		10,703,252
	₩ (11,852,239)	₩	7,862,197

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23. Equity (cont'd)

Retained earnings

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

	2021	2020	Description
Legal reserve	₩ 23,075,610	₩ 22,854,453	Legal (*1)
Business rationalization reserve	83,060	83,060	Discretionary
Capital expenditure reserve	1,089,204	1,089,204	Discretionary (*2)
Unappropriated retained earnings	1,560,093,627	1,369,940,676	
Total	₩ 1,584,341,501	₩ 1,393,967,393	

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

(*2) The Korean Financial Control Regulation for listed companies requires that an amount be appropriated as reserve for improvement of financial position until the ratio of equity to total assets equals 30%. Effective from December 2007, such reserve is no longer required by the revised Tax Incentives Limitation Law.

Statements of appropriation of retained earnings

Details of the appropriation of retained earnings for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 1,333,819,335	₩ 1,185,885,439
Re-measurement loss on defined benefit liability	(950,182)	(1,230,333)
Profit for the year	227,224,474	185,285,570
Total	1,560,093,627	1,369,940,676
Appropriation of retained earnings:		
Appropriations for cash dividends	45,772,735	35,900,184
Legal reserve	-	221,158
Unappropriated retained earnings to be carried forward to the next year	₩ 1,514,320,892	₩ 1,333,819,334

Appropriation approval date for 2021 are March 24, 2022 and for 2020 was March 30, 2021.

Dividends paid and proposed

Details of dividends proposed for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands, except per share amounts):

	2021	2020
Cash dividends (2021: ₩5,100, 2020: ₩4,000 per share)	₩ 45,772,735	₩ 35,900,184

Dividends proposed in the previous year represent actual dividends paid during the current financial year.

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24. Share-based payments

Stock option

In accordance with the special resolution of the general meeting of shareholders, the Company has granted stock options to employees of the Company. Major terms are as follows.

	1-1	1-2	1-3	1-4	1-5	1-6
Grant date of the right	2018-03-26		2019-03-05		2019-03-27	2020-03-03
Types of shares to be issued	Registered common stock					
Method of grant	In the exercise of rights, the Company chooses one method by resolution of the board of directors. ① Issuance of new shares ② Transfer of own shares ③ If the exercise price is lower than the actual value of the stock at the event, the difference or difference Grant equivalent treasury stock					
Number of shares granted	15,000 shares	15,000 shares	20,000 shares	20,000 shares	10,000 shares	24,000 shares
Exercise price	95,290 won	102,910 won	81,270 won	87,770 won	90,490 won	78,510 won
Available period	2020.3.27~ 2025.3.26	2021.3.27~ 2025.3.26	2021.3.6~ 2026.3.5	2022.3.6~ 2026.3.5	2021.3.28~ 2026.3.27	2022.3.4~ 2027.3.3
Vesting condition	More than 2 years of employment period after grant date	More than 3 years of employment period after grant date	More than 2 years of employment period after grant date	More than 3 years of employment period after grant date	More than 2 years of employment period after grant date	More than 2 years of employment period after grant date

Stock appreciation rights

The Company has granted cash-settled stock appreciation rights to executives of the Company. Major terms are as follows.

	Detail
Grant date of the right	March 1, 2020
Vesting condition	More than 3 years of employment period after grant date ((Maintain its condition in case of involuntary resignation (transferring to affiliates, etc.))
Compensation amount	Calculation of payout rate and payment amount based on the stock price increase rate after 3 years and the minimum required rate of return by year
Method of payment	Installment payment over 3 years from 3 years after the grant date

The compensation cost of stock options and cash-settled stock appreciation rights are calculated using the fair value approach using the binomial model. The assumptions and variables used to calculate compensation cost are as follows.

	Equity-settled stock options						Stock appreciation rights
	1-1	1-2	1-3	1-4	1-5	1-6	
Risk-free rate of return	2.58%	2.58%	2.02%	2.02%	1.89%	1.32%	1.42%
Share price of grant day (previous day closing price)	₩ 92,500	₩ 92,500	₩ 82,700	₩ 82,700	₩ 91,900	₩ 77,500	₩ 78,490
Price volatility	15.90%	15.90%	16.25%	16.25%	17.01%	22.72%	15.13%
Discount rate	3.52%	3.52%	3.01%	3.01%	2.88%	3.87%	3.10%
Exercise price (*1)	₩ 95,290	₩ 102,910	₩ 81,270	₩ 87,770	₩ 90,490	₩ 78,510	₩ 78,490
Fair value per share	₩ 11,759	₩ 9,347	₩ 10,713	₩ 8,432	₩ 13,084	₩ 13,925	₩ 48,387

(*1) The exercise price of the stock appreciation rights is equal to the base price on the grant date. The Company re-measures the liability for the stock appreciation rights at the end of each reporting period until settlement, at the fair value of the stock appreciation rights.

Share-based payments

The Company has recognized ₩ 660,742 thousand and ₩ 435,079 thousand as stock compensation expense for the years ended December 31, 2021 and 2020, respectively, and the remaining compensation expenses amounted to ₩ 38,797 thousand.

25. Revenue from contracts with customers

Classification of revenue information

The following are the disaggregation of revenue from contracts with customers of a separate group (Korean won in thousands):

	2021	2020
Types of goods or services:		
LPG sales	₩ 4,806,445,393	₩ 3,443,482,661
Other sales	63,044,408	64,891,441
Transportation service	128,791,305	123,406,255
Total revenue from contracts with customers	4,998,281,106	3,631,780,357
Geographical market:		
Korea	3,371,144,773	2,380,248,568
Overseas	1,627,136,333	1,251,531,789
Total revenue from contracts with customers	4,998,281,106	3,631,780,357
The time of transfer of goods or services:		
Goods transferred at one time	4,823,614,762	3,462,197,376
Services transferred over time	174,666,344	169,582,981
Total revenue from contracts with customers	4,998,281,106	3,631,780,357

Considering the goods or services that generate operating profits, the Company has determined the entire Company as a single reporting sector. Therefore, the notes on the gross amount of operating income, net profit before tax expense deduction, and assets/liabilities by reporting sector were omitted.

There are two major customers that accounted for more than 10% of the Company's revenue during the year ended December 31, 2021 (2020: two customers) and the amount of revenue from the major customers were ₩ 1,216,287,979 thousand. (2020: ₩ 808,043,853 thousand).

Contract balance

	(Korean won in thousands)	
	2021	2020
Trade receivables	₩ 773,934,184	₩ 573,128,632
Contract liabilities (*1)	3,242,306	-

(*1) It is short-term advances received from customers in relation to LPG sales, and the Company recognizes contract liabilities as revenue when performance obligations under the contract are satisfied.

26. Operating expense

Classification of expenses by nature

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

	2021	2020
Changes in goods	₩ (126,737,273)	₩ (65,385,499)
Purchase of goods	4,683,915,737	3,174,696,400
Salaries and wages	71,905,255	61,460,640
Retirement benefits	5,301,409	5,385,304
Transport and storage of oil expenses	24,690,229	26,518,458
Rental fees and service fees	36,668,280	36,702,133
Taxes and dues	16,224,581	16,382,213
Depreciation of property, plant and equipment	100,272,327	100,809,273
Amortization of intangible assets	6,944,716	5,585,390
Others	80,497,918	81,717,237
Total	<u>₩ 4,899,683,179</u>	<u>₩ 3,443,871,549</u>

Selling and administrative expenses

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

	2021	2020
Salaries and wages	₩ 67,336,767	₩ 58,141,014
Retirement benefits	5,048,512	5,137,751
Employee welfare benefits	15,838,785	22,066,020
Training	3,623,474	3,172,139
Entertainment	2,173,326	1,959,412
Travel	1,476,357	1,448,503
Utilities	7,844,183	5,754,453
Supplies	847,400	1,634,918
Repairs	9,318,671	7,390,697
Office supplies and management	4,880,799	4,619,644
Technical service fees	16,091,760	15,484,996
Transport and storage of oil	7,822,061	8,100,738
Communication	389,122	379,440
Advertising and marketing	7,613,672	10,907,608
Rental fees and service fees	34,538,719	35,223,695
Taxes and dues	15,664,332	15,821,582
Insurance	1,793,692	1,448,141
Depreciation of property, plant and equipment	24,094,008	22,595,677
Amortization of intangible assets	6,642,810	5,225,078
Bad debt expenses	3,083,000	160,183
Stock compensation expense	660,742	435,079
Miscellaneous	661,249	561,615
Total	<u>₩ 237,443,441</u>	<u>₩ 227,668,383</u>

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27. Finance income and costs and other non-operating revenue and expense

Finance income and costs

Finance income and finance costs for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Finance income:		
Interest income	₩ 3,351,563	₩ 3,139,615
Dividends income	10,197,380	12,064,270
Gain on transaction of derivatives	197,862,046	250,319,265
Gain on valuation of derivatives	97,581,119	100,452,173
Gain on foreign currency translation	2,228,926	19,544,466
Gain on foreign currency transaction	61,956,044	116,967,093
Gain on valuation of financial assets at fair value through profit or loss	775,317	2,042,234
Gain on transaction of financial assets at fair value through profit or loss	10,617,374	5,718,030
Financial guarantee income	354,949	256,516
Total	<u>₩ 384,924,718</u>	<u>₩ 510,503,662</u>
Finance costs:		
Interest expenses	₩ 40,397,570	₩ 37,213,823
Loss on transaction of derivatives	86,015,488	162,516,683
Loss on valuation of derivatives	16,253,939	96,702,909
Loss on foreign currency translation	3,681,848	2,679,821
Loss on foreign currency transaction	129,804,248	100,759,226
Financial guarantee cost	46,402	15,626
Total	<u>₩ 276,199,495</u>	<u>₩ 399,888,088</u>

Other non-operating income and expenses

Other non-operating income and expenses for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Other non-operating income:		
Rental income	₩ 6,186,540	₩ 4,938,502
Gain on disposal of property, plant, and equipment	5,991,545	130,352
Gain on disposal of intangible assets	140,390	-
Reversal of impairment loss on intangible assets	1,461,695	-
Gain on disposal of investments in joint ventures (*1)	80,285,334	-
Gain on exemption of debt	127,203	5,358,510
Miscellaneous revenue	12,430,994	6,298,691
Total	<u>₩ 106,623,701</u>	<u>₩ 16,726,055</u>
Other non-operating expenses:		
Donations	₩ 3,664,021	₩ 5,639,330
Loss on disposal of property, plant and equipment	1,640,535	151,868
Loss on impairment of property, plant and equipment	-	5,499,346
Loss on disposal of intangible assets	6,868	-
Loss on impairment of intangible assets	348,600	-
Other bad debt expenses	-	5,734,609
Miscellaneous expenses	7,574,712	2,270,101
Total	<u>₩ 13,234,736</u>	<u>₩ 19,295,254</u>

(*1) During the year ended December 31, 2021, the Company disposed shares on SK D&D Co., Ltd. to SK Discovery Co., Ltd. (see Note 22)

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28. Income tax

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

	2021	2020
Current income tax	₩ 70,113,363	₩ 33,010,827
Changes in deferred tax assets and liabilities	(3,223,134)	84,619,770
Income tax expense directly recognized to equity	6,597,411	(6,960,985)
Income tax expense	<u>₩ 73,487,640</u>	<u>₩ 110,669,612</u>

A reconciliation of profit before income taxes at the Korea statutory tax rate to income tax expense at the effective tax rate of the Company is summarized as follows (Korean won in thousands):

	2021	2020
Profit before income tax	₩ 300,712,114	₩ 295,955,182
Tax at the statutory tax rate (*1)	72,310,332	71,159,154
Adjustments:		
Non-deductible expenses and tax exemption	(470,571)	(9,077,384)
Income tax refund and reflux tax	2,146,613	4,841,283
Tax credit	(854,032)	(602,648)
Deferred tax unrecognized effect	-	44,190,208
Others	355,298	158,999
Income tax expense	<u>₩ 73,487,640</u>	<u>₩ 110,669,612</u>
Effective tax rate	24.44 %	37.39 %

(*1) The taxable income of income tax rate includes corporate income tax (10% on taxable income of less than ₩200 million, 20% on taxable income of more than ₩200 million and less than ₩20,000 million, 22% on taxable income of more than ₩20,000 million and less than ₩300,000 million, 25% on taxable income of more than ₩300,000 million) and resident surtax (10% of corporate income tax).

Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021			
	Jan. 1	Recognized to profit or loss	Recognized directly to equity	Dec. 31
Revaluation surplus	₩ (36,588,439)	₩ 1,049,496	₩ -	₩ (35,538,943)
Allowance doubtful accounts	5,455,472	(1,756,126)	-	3,699,346
Defined benefit liabilities	230,489	(533,846)	303,357	-
Financial assets at fair value through other comprehensive income	1,177,659	-	(908,363)	269,296
Gain (loss) on valuation of derivative instruments	(9,826,090)	(13,462,695)	-	(23,288,785)
Depreciable assets	15,076,206	(683,655)	-	14,392,551
Investment assets	19,136,124	13,528,044	-	32,664,168
Lease assets and liabilities	(11,708,133)	(2,740,765)	7,202,417	(7,246,481)
Others	4,263,209	1,225,270	-	5,488,479
Sub-total	<u>(12,783,503)</u>	<u>(3,374,277)</u>	6,597,411	<u>(9,560,369)</u>
Less: Unrecognized deferred tax assets (liabilities)	29,901,070	-	-	29,901,070
Total	<u>₩ (42,684,573)</u>	<u>₩ (3,374,277)</u>	<u>₩ 6,597,411</u>	<u>₩ (39,461,439)</u>

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28. Income tax (cont'd)

	2020			
	Jan. 1	Recognized to profit or loss	Recognized directly to equity	Dec. 31
Revaluation surplus	₩ (37,206,322)	₩ 617,883	₩ -	₩ (36,588,439)
Allowance doubtful accounts	5,455,472	-	-	5,455,472
Defined benefit liabilities	330,376	(492,686)	392,799	230,489
Financial assets at fair value through other comprehensive income	2,801,790	-	(1,624,132)	1,177,658
Gain (loss) on valuation of derivative instruments	22,100,697	(31,924,663)	(2,124)	(9,826,090)
Depreciable assets	12,647,492	2,428,714	-	15,076,206
Investment assets	18,893,117	243,007	-	19,136,124
Lease assets and liabilities	(604,736)	(5,375,871)	(5,727,526)	(11,708,133)
Others	3,228,171	1,035,039	-	4,263,210
Sub-total	27,646,057	(33,468,577)	(6,960,983)	(12,783,503)
Less: Unrecognized deferred tax assets (liabilities)	(14,289,140)	44,190,210	-	29,901,070
Total	₩ 41,935,197	₩ (77,658,787)	₩ (6,960,983)	₩ (42,684,573)

Unrecognized temporary difference for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Investment in subsidiaries, associates and joint ventures, etc.	₩ 123,558,140	₩ 123,558,140

The future realizability deferred tax assets depends on a number of factors, including the Company's ability to generate taxable income during the period in which the temporary difference are to be realized, the overall economic environment and industry prospects. The Company periodically reviews these matters and recognized deferred tax assets for deductible temporary differences that are expected to be realized in the future as of December 31, 2021.

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29. Earnings per share

Basic earnings per share

The Company's basic earnings per share for the years ended December 31, 2021 and 2020 are computed as follows (Korean won in thousands, except per share amounts):

	2021	2020
Profit for the year attributable to ordinary stock	₩ 227,224,474	₩ 185,285,570
Weighted-average number of ordinary shares outstanding	8,975,046	8,942,065
Basic earnings per share	₩ 25,317	₩ 20,721

The weighted average number of ordinary shares outstanding as of December 31, 2021 and 2020 are computed as follows:

2021				
Period	Description	Number of shares	Number of days	Accumulated number of shares
1.1~12.31	Ordinary stock	9,230,244	365	3,369,039,060
1.1~12.31	Treasury stock	(255,198)	365	(93,147,270)
Total				3,275,891,790

Weighted-average number of shares of ordinary stock outstanding as of December 31, 2020:
 $3,275,891,790/365 = 8,975,046$

2020				
Period	Description	Number of shares	Number of days	Accumulated number of shares
1.1~12.31	Ordinary stock	9,230,244	366	3,378,269,304
1.1~12.31	Treasury stock	(295,394)	366	(108,114,204)
4.22~12.31	Treasury stock	(1,854)	254	(470,916)
10.19~12.31	Treasury stock	42,050	74	3,111,700
Total				3,272,795,884

Weighted-average number of shares of ordinary stock outstanding as of December 31, 2020:
 $3,272,795,884/366 = 8,942,065$

Diluted earnings per share

The Company's diluted earnings per share for the years ended December 31, 2021 and 2020 are computed as follows (Korean won in thousands, except per share amounts):

	2021	2020
Profit for the year adjusted for the effect of dilution	₩ 227,224,474	₩ 185,285,570
Weighted average number of ordinary shares adjusted for the effect of dilution	9,001,219	8,942,065
Diluted earnings per share	₩ 25,244	₩ 20,721

The diluted weighted-average number of ordinary shares outstanding for diluted earnings per share as of December 31, 2021 and 2020 are computed as follows (shares):

	2021	2020
Weighted-average number of shares of ordinary stock outstanding	8,975,046	8,942,065
Effect of dilution from exercise share options	26,173	-
Diluted weighted-average number of shares of ordinary stock outstanding	9,001,219	8,942,065

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30. Separate statements of cash flows

Cash in the statements of cash flows represents cash and cash equivalents in the separate statements of financial position.

Adjustments in cash flows generated from operations for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Retirement benefits	₩ 4,739,397	₩ 4,392,860
Depreciation	53,340,629	50,815,887
Depreciation expenses of right-of-use assets	46,931,698	49,993,386
Amortization of intangible assets	6,944,716	5,585,390
Share-based payments	660,742	435,079
Bad debt expenses	3,083,000	160,183
Interest income	(3,351,563)	(3,139,615)
Interest expense	40,397,570	37,213,823
Dividend income	(10,197,380)	(12,064,270)
Gain on valuation of derivative instruments	(97,581,119)	(100,452,173)
Gain on transaction of derivative instruments	(197,862,046)	(250,319,263)
Gain on valuation of financial assets at FVTPL	(775,317)	(2,042,234)
Gain on transaction of financial assets at FVTPL	(10,617,374)	(5,718,030)
Loss on valuation of derivative instruments	16,253,939	96,702,909
Loss on transaction of derivative instruments	86,015,488	162,516,684
Financial guarantee income	(354,949)	(256,516)
Financial guarantee cost	46,402	15,626
Gain on foreign currency translation	(2,228,926)	(19,544,466)
Gain on disposal of property, plant, and equipment	(5,991,545)	(130,352)
Gain on disposal of intangible assets	(140,390)	-
Loss on foreign currency translation	3,681,848	2,679,821
Gain on disposal of investments in joint ventures	(80,285,334)	-
Loss on disposal of property, plant, and equipment	1,640,535	151,868
Loss on disposal of intangible assets	6,868	-
Loss on impairment of property, plant, and equipment	-	5,499,346
Loss on impairment of intangible assets	348,600	-
Reversal of loss on impairment of intangible assets	(1,461,695)	-
Gain on debt exemption	(127,203)	(5,358,510)
Income tax expense	73,487,640	110,669,612
Other	3,225,725	11,588,064
Total	₩ (70,170,044)	₩ 139,395,109

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30. Separate statements of cash flows (cont'd)

Changes in assets and liabilities arising from operating activities for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Trade receivables	₩ (201,380,699)	₩ (72,058,769)
Other receivables	(16,783,985)	47,910,302
Inventories	(127,600,550)	(65,925,556)
Other current assets	(14,117,431)	6,274,923
Other non-current financial assets	(2,504,031)	1,305,663
Accounts and notes payable	(129,139,991)	121,885,534
Other payables	18,173,276	13,836,354
Other current liabilities	(5,267,545)	5,377,921
Other non-current financial liabilities	402,996	194,983
Other non-current liabilities	(10,301)	(11,110)
Pension benefits paid	(743,505)	(624,574)
Plan assets	(5,479,893)	(5,685,017)
Total	<u>₩ (484,451,659)</u>	<u>₩ 52,480,654</u>

The separate statements of cash flows of the Company are prepared using the indirect method and significant non-cash transactions for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Transfer of long-term loans to current portion	₩ 13,720,485	₩ 39,051,862
Changes in other payables due to acquisition of property, plant and equipment and intangible assets	15,138	275,632
Transfer of construction-in-progress to respective assets	10,690,825	12,196,428
Valuation of financial assets at fair value through other comprehensive income	2,845,200	5,087,157
Transfer of long-term lease liabilities to current portion	63,556,861	54,472,361
Transfer of long-term bonds payable to current portion	199,875,684	-

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30. Separate statements of cash flows (cont'd)

Changes in liabilities arising from financing activities share for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021				
	Jan. 1	Financing activities cash flows	Reclassification to current portion	Others (*1)	Dec. 31
Accrued expenses	₩ 24,538,613	₩ (37,054,476)	₩ -	₩ 42,650,242	₩ 30,134,379
Dividends payable	-	(35,900,184)	-	35,900,184	-
Short-term borrowings	631,739,647	162,717,000	-	2,036,871	796,493,518
Current portion of long-term borrowings	-	-	199,875,684	78,168	199,953,852
Current portion of lease Liabilities	55,039,325	(58,171,320)	63,556,861	-	60,424,866
Long-term borrowings	188,071	(60,867)	-	(127,204)	-
Bonds payable	817,562,172	448,073,100	(199,875,684)	898,109	1,066,657,697
Lease liabilities	363,462,476	-	(63,556,861)	38,546,586	338,452,201
Treasury stock	(7,418,439)	-	-	-	(7,418,439)
Total	₩ 1,885,111,865	₩ 479,603,253	₩ -	₩ 119,982,956	₩ 2,484,698,074

(*1) It includes accrued interest on interest-bearing borrowings and others, dividends payable, foreign currency valuation gains or losses, and changes in lease liabilities.

	2020				
	Jan. 1	Financing activities cash flows	Reclassification to current portion	Others (*1)	Dec. 31
Accrued expenses	₩ 17,285,776	₩ (36,717,139)	₩ -	₩ 43,969,976	₩ 24,538,613
Dividends payable	-	(26,539,161)	-	26,539,161	-
Short-term borrowings	596,602,365	52,630,212	-	(17,492,930)	631,739,647
Current portion of long-term borrowings	155,668,212	(155,714,280)	-	46,068	-
Current portion of lease Liabilities	73,230,929	(72,663,966)	54,472,361	-	55,039,324
Long-term borrowings	5,986,713	(440,133)	-	(5,358,510)	188,070
Bonds payable	319,137,586	497,885,680	-	538,905	817,562,172
Lease liabilities	437,664,359	-	(54,472,361)	(19,729,521)	363,462,477
Treasury stock	(8,533,594)	(107,211)	-	1,222,366	(7,418,439)
Total	₩ 1,597,042,347	₩ 258,334,002	₩ -	₩ 29,735,515	₩ 1,885,111,864

(*1) It includes accrued interest on interest-bearing borrowings and others, dividends payable, foreign currency valuation gains or losses, and changes in lease liabilities.

31. Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade and other payables, loans, and bonds. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. Also, the Company has various financial assets including trade and other receivables, cash and cash equivalents, loans, financial assets such as financial assets at fair value through other comprehensive income.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks in accordance with the Company's risk policies which are reviewed regularly, and details are provided below. Furthermore, it is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market risk. Market prices comprise three types of risk: interest rate risk, foreign currency risk and other price risk.

The sensitivity analyses in the following sections relate to the position as at December 31, 2020 and 2019.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt liability with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Borrowings with floating interest rates amount to ₩233,010,745 thousand and ₩65,899,565 thousand as at December 31, 2021 and 2020, respectively. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows (Korean won in thousands):

	2021		2020	
	+1%	-1%	+1%	-1%
Profit before tax	₩ (2,330,107)	₩ 2,330,107	₩ (658,996)	₩ 658,996

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's net investments in foreign subsidiaries. The book values of monetary assets and liabilities which are not presented in functional currency as at December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021		2020	
	Assets	Liabilities (*1)	Assets	Liabilities (*1)
USD	₩ 399,477,252	₩ 982,461,487	₩ 369,120,205	₩ 889,668,329
CNY	₩ -	₩ -	₩ -	₩ 37,697

(*1) The Company applies non-financial items as hedge items using the lease liabilities denominated in foreign currency. The amount was excluded because it was determined to be effective in avoiding the risk of exchange rate fluctuations, the amount was excluded. (refer to Note 14)

31. Financial risk management objectives and policies (cont'd)

If the exchange rate of the functional currency fluctuates by 5% for each foreign currency as of December 31, 2021 and 2020, the impact on current and prior profit and loss are as follows (Korean won in thousands). The Company internally measures the exchange risk of won exchange rate fluctuations regularly and effectively manages exchange risk through currency futures trading, which has a limited impact on profit and loss.

	2021		2020	
	+5%	-5%	+5%	-5%
USD	₩ (29,149,212)	₩ 29,149,212	₩ (26,027,406)	₩ 26,027,406
CNY	₩ -	₩ -	₩ (1,885)	₩ 1,885

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to fluctuations in market prices other than interest rate risk or foreign exchange risk. Listed equity securities among the Company's financial assets at FVOCI are susceptible to market price risk arising from the fluctuation in the price of the securities. The following table demonstrates the sensitivity analyses of a reasonably possible change in the price of listed equity securities by 5% on the financial statements of the Company as of December 31, 2021 and 2020, respectively (Korean won in thousands):

	2021	
	+5%	-5%
Other comprehensive income before income tax	₩ 676,567	₩ (676,567)
Income tax expense	(163,729)	163,729
Other comprehensive income for the year, net of tax	₩ 512,838	₩ (512,838)

	2020	
	+5%	-5%
Other comprehensive income before income tax	₩ 656,938	₩ (656,938)
Income tax expense	(158,979)	158,979
Other comprehensive income for the year, net of tax	₩ 497,959	₩ (497,959)

31. Financial risk management objectives and policies (cont'd)

Credit risk

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

Trade receivables and other receivables

Customer credit risk is managed by each business unit under the terms of our established policies, procedures and controls related to customer credit risk management. The creditworthiness of the customer is assessed based on a broad credit rating scale and the individual credit limits are defined according to this assessment.

Outstanding customer deposits and contract assets are regularly monitored and shipments to major customers are usually compensated by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at the end of the reporting period using provisions to measure expected credit losses. The provisioning rate is based on maturity by grouping various customer segments according to similar loss patterns (i.e., region, product type, customer type and rating, letter of credit or other forms of credit insurance coverage).

The calculation reflects reasonable and supportable information at the reporting date about probability-weighted results, time values, and past events, current conditions and forecasts of future economic conditions. Typically, sales bonds are amortized if they are more than one year overdue or are not subject to enforcement activities. The maximum exposure to credit risk as of the end of the reporting period is the carrying value of each class of financial assets described in Note 5. We do not have collateralized collateral. L/C and other forms of credit insurance are considered an integral part of trade receivables and are considered for impairment calculations. The Company considers the risk relating to trade receivables and other receivables to be low as the customer is located in multiple jurisdictions and industries and operates mostly in an independent markets.

Other assets

Credit risks associated with the Company's other assets which consist of cash, short-term deposits and short-term and long-term loans arise from the default by the counterparties. Maximum exposure to credit risks will be the book value of the related other assets. The Company deposits its surplus funds with Woori Bank and other financial institutions whose credit ratings are high. Accordingly, credit risk related to financial institutions is considered limited.

31. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk refers to the risk that the Company may default on the contractual obligations that become due.

The Company manages its risk to a shortage of funds using a recurring liquidity planning tool, and matches the financial liabilities with the financial assets taking into account the maturity dates and cash flow from operating activities of those financial assets.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31, 2021 and 2020 (Korean won in thousands):

	2021			
	1 year	1 to 4 years	More than 4 years	Total
Trade and other payables	₩ 190,173,738	₩ -	₩ -	₩ 190,173,738
Short-term borrowings	796,493,518	-	-	796,493,518
Derivative liabilities	16,260,897	-	-	16,260,897
Current portion of lease liabilities	70,259,002	-	-	70,259,002
Bonds payable	200,000,000	520,000,000	550,000,000	1,270,000,000
Non-current lease liabilities	-	171,900,840	206,654,618	378,555,458
Other non-current financial liabilities	-	37,808,917	-	37,808,917
Total	₩ 1,273,187,155	₩ 729,709,757	₩ 756,654,618	₩ 2,759,551,530

	2020			
	1 year	1 to 4 years	More than 4 years	Total
Trade and other payables	₩ 343,166,132	₩ -	₩ -	₩ 343,166,132
Short-term borrowings	571,739,647	-	-	571,739,647
Derivative liabilities	96,262,882	-	-	96,262,882
Current portion of lease liabilities	65,955,203	-	-	65,955,203
Other current financial liabilities	238,066	-	-	238,066
Bonds payable	-	390,000,000	430,000,000	820,000,000
Long-term borrowings (*1)	-	-	-	-
Non-current derivative liabilities	-	936,405	-	936,405
Non-current lease liabilities	-	219,373,411	189,884,539	409,257,950
Other non-current financial liabilities	-	3,835,921	33,570,000	37,405,921
Total	₩ 1,077,361,930	₩ 614,145,737	₩ 653,454,539	₩ 2,344,962,206

(*1) Oil exploratory loans has been excluded due to the uncertainty of repayment obligations

31. Financial risk management objectives and policies (cont'd)

Meanwhile, the Company provides payment guarantees to others for its subsidiaries, and related financial guarantee liabilities are recorded. As of December 31, 2021, the Company does not expect the counterparty to default and expects that all payment guarantees provided by the Company will expire with the expiry of the guarantee period. Accordingly, the Company's maximum cash outflow and maturity analysis related to the execution of financial guarantee contracts were excluded from the risk analysis above (see Note 21).

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain the sound capital structure, the Company may adjust the dividend payment to shareholders, reduce capital stock, or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021.

The Company monitors its debt ratio which is total liabilities divided by total equity.

Debt ratios as of December 31, 2021 and 2020 are as follows (Korean won in thousands):

	2021	2020
Total liabilities	₩ 2,809,125,116	₩ 2,426,735,657
Total equity	1,868,451,253	1,698,134,042
Debt ratio	150.35%	142.91%

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

32. Fair value

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing of the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value, and those inputs are not based on observable market data

Fair value on the statement of financial position

As of December 31, 2021 and 2020, the fair value of financial instruments by fair value hierarchy is as follows (Korean won in thousands):

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 1,160	₩ 63,868,860	₩ -	₩ 63,870,020
Short-term financial instruments	-	557,091,074	6,620,000	563,711,074
Trade and other receivables	-	-	823,596,710	823,596,710
Current derivative assets	-	65,325,132	-	65,325,132
Other current financial assets	-	16,674,298	-	16,674,298
Long-term financial instruments	13,531,336	17,000	95,931,072	109,479,408
Trade and other receivables (non-current)	-	-	2,147,733	2,147,733
Non-current derivative assets	-	50,038,587	-	50,038,587
Other non-current financial assets	-	-	34,489,008	34,489,008
Total	₩ 13,532,496	₩ 753,014,951	₩ 962,784,523	₩ 1,729,331,970
Financial liabilities:				
Trade and other payables	₩ -	₩ -	₩ 190,892,558	₩ 190,892,558
Short-term borrowings	-	796,493,518	-	796,493,518
Current portion of long-term borrowings	-	199,953,852	-	199,953,852
Current derivative liabilities	-	16,253,939	-	16,253,939
Current portion of lease liabilities	-	60,424,866	-	60,424,866
Other current financial liabilities	-	-	284,468	284,468
Bonds payable	-	1,066,657,697	-	1,066,657,697
Non-current lease liabilities	-	338,452,201	-	338,452,201
Other non-current financial liabilities	-	392,192	34,173,890	34,566,082
Total	₩ -	₩ 2,478,628,265	₩ 225,350,916	₩ 2,703,979,181

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

32. Fair value (cont'd)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 1,790	₩ 49,423,170	₩ -	₩ 49,424,960
Short-term financial instruments	-	576,642,234	2,136,000	578,778,234
Trade and other receivables	-	-	634,714,715	634,714,715
Current derivative assets	-	95,223,033	-	95,223,033
Other current financial assets	-	688,114	-	688,114
Long-term financial instruments	13,138,766	17,000	98,491,952	111,647,718
Trade and other receivables (non-current)	-	-	1,820,331	1,820,331
Non-current derivative assets	-	18,709,000	-	18,709,000
Other non-current financial assets	-	-	33,551,104	33,551,104
Total	₩ 13,140,556	₩ 740,702,551	₩ 770,714,102	₩ 1,524,557,209
Financial liabilities:				
Trade and other payables	₩ -	₩ -	₩ 343,166,132	₩ 343,166,132
Short-term borrowings	-	631,739,647	-	631,739,647
Current derivative liabilities	-	96,210,182	-	96,210,182
Current portion of lease liabilities	-	55,039,325	-	55,039,325
Other current financial liabilities	-	-	238,066	238,066
Bonds payable	-	817,562,172	-	817,562,172
Long-term borrowings	-	188,071	-	188,071
Non-current derivative liabilities	-	926,400	-	926,400
Non-current lease liabilities	-	363,462,476	-	363,462,476
Other non-current financial liabilities	-	-	32,733,472	32,733,472
Total	₩ -	₩ 1,965,128,273	₩ 376,137,670	₩ 2,341,265,943

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

32. Fair value (cont'd)

Valuation technique and input variables

As of December 31, 2021 and 2020, the correlations between valuation techniques, input variables, and significant but unobservable input variables of items classified as Level 3 in the fair value hierarchy among assets and liabilities measured at fair value in the separate financial statements are as follows (Korean won in thousands):

<2021>

	Book value	Valuation technique	Input variables	Significant but not observable interactions between input variables
Financial assets at FVOCI:				
				The estimated fair value increases (decreases) based on followings:
Unlisted stock	₩ 4,737,000	Comparison with similar companies	Price-to-net asset ratio	- When the price-to-net asset ratio of a similar company increases (decreases) -When the net asset value of the target Company increases (decreases)

<2020>

	Book value	Valuation technique	Input variables	Significant but not observable interactions between input variables
Financial assets at FVOCI:				
				The estimated fair value increases (decreases) based on followings:
Unlisted stock	₩ 3,253,332	Comparison with similar companies	Price-to-net asset ratio	- When the price-to-net asset ratio of a similar company increases (decreases) -When the net asset value of the target Company increases (decreases)

32. Fair value (cont'd)

The amounts of assets evaluated using the above valuation technique among the categories classified as Level 3 are as follows (Korean won in thousands):

	2021		2020	
	Jan. 1	Valuation	Jan. 1	Valuation
Financial assets:				
Financial assets at FVOCI	₩ 3,253,332	₩ 1,483,668	₩ 4,264,800	₩ (1,011,468)
				₩ 3,253,332

33. Other matters

33.1 Uncertainties about the impact of Covid-19

To prevent the spread of Coronavirus disease 2019 ("Covid-19"), various prevention and control measures, including restrictions on movement, are being implemented worldwide, and as a result, the global economy is affected extensively. In addition, government is announcing various government support policies to address Covid-19. The Company evaluated the impact of Covid-19 on its separate financial statements and determined that uncertainties may exist in estimates used to measure net realizable value of inventories (see Note 7) and others. Based on the information available as of December 31, 2021, the Company reasonably estimated the impact of Covid-19 in preparing its separate financial statements.

However, there is significant uncertainty in estimating the termination of Covid-19 and the impact therefrom on the Company.

33.2 Approval of the separate financial statements

The separate financial statements were approved by the Board of Directors on February 8, 2022 and will receive final approval at the shareholders' meeting on March 24, 2022.

34. Events after the reporting period

Resolution to provide collateral for others

On February 23, 2022, the Company decided to provide 17,214,000 shares of Goseong Green Power Co., Ltd. held by the Company as collateral to Hanwha Life Insurance Co., Ltd. and other parties to guarantee the repayment of ₩4,170,000 million of long-term borrowings. The limit of provided collateral is ₩ 172,140 million, which is the acquisition cost of Goseong Green Power Co., Ltd.

Review report on internal control over financial reporting

SK Gas Co., Ltd.

This report is annexed in relation to the audit of SK Gas Co., Ltd.'s financial statements as of December 31, 2021 and the audit of internal control over financial reporting.

1. Independent auditor's report on internal control over financial reporting
2. Management's report on the operations of the internal control over financial reporting

Independent auditor's report on internal control over financial reporting

SK Gas Co., Ltd.
The Shareholders and Board of Directors

Opinion on internal control over financial reporting

We have audited SK Gas Co., Ltd.'s (the "Company") internal control over financial reporting ("ICFR") based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee") as of December 31, 2021.

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

We also have audited, in accordance with Korean Auditing Standards ("KGAAS"), the separate statement of financial position as of December 31, 2021, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 11, 2022, expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying report on the effectiveness of the ICFR.

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

Auditor's responsibilities for the audit of ICFR

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

An audit of ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operating effectiveness of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Soo Jung.

The logo for Ernst & Young Han Young, featuring the company name in a stylized, cursive script.

March 11, 2022

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

ICFR Operating Status Report by CEO

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

We, as the Chief Executive Officer and the Internal Accounting Manager of SK Gas Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2021.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, "We", "Our" or "Us").

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee")' as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 25, 2022

Chief Executive Officer

YOON BYUNG SUK



Internal Accounting Manager

LEE SUNG MO


(Signature)