SK REIT ANNUAL REPORT 2021

www.skreit.co.kr

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SK REIT ANNUAL REPORT 2021

ABOUT SK REIT

REVIEW OF OPERATIONS

FINANCIAL SECTION

SK reit

SK Group Sponsoring REIT with Korea's Highest Credit Rating

The Largest AUM*

KRW **2.4** trillion

The Highest Credit Rating

AA-

The First Listed REIT

Execute Quarterly Dividends

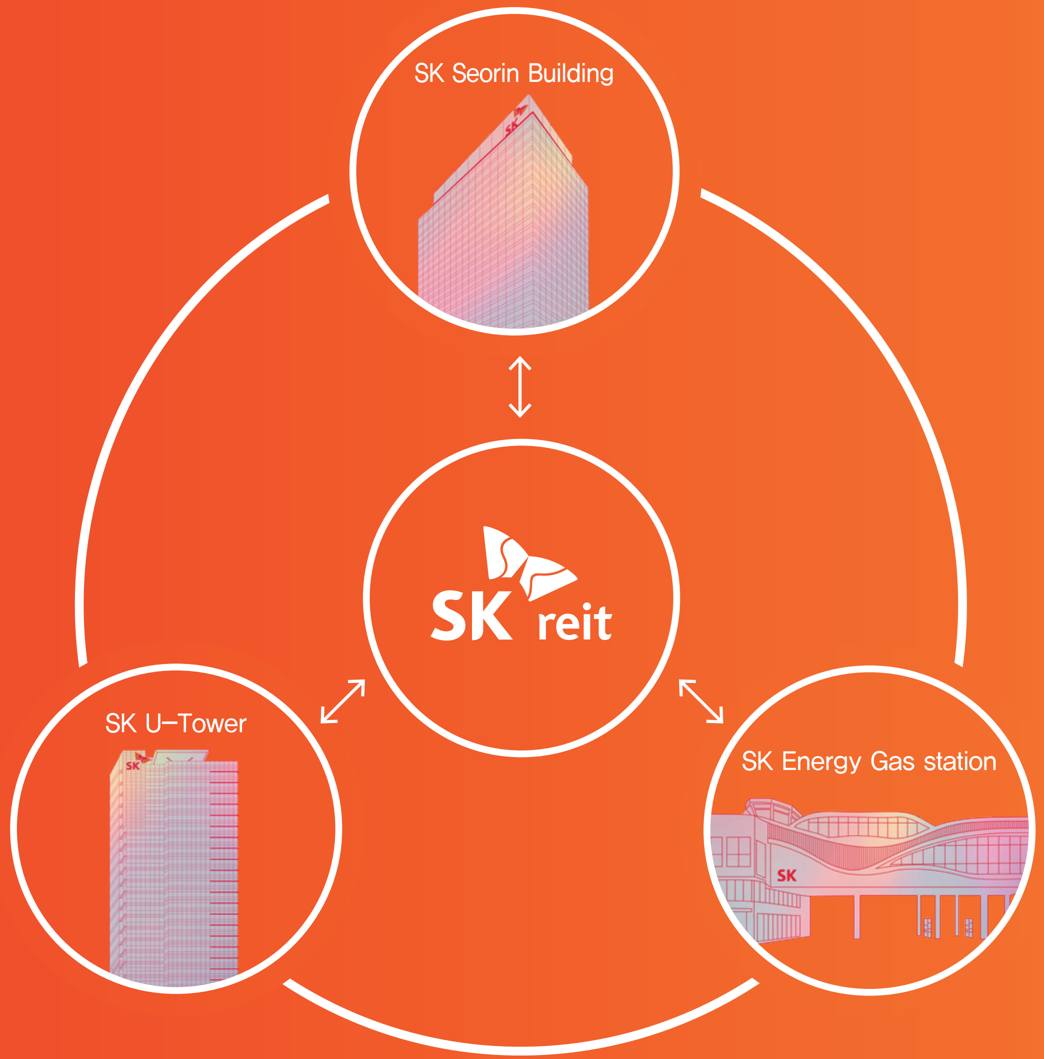
SK REIT was listed on the Korea Exchange in September 2021 and is the first to adopt the quarterly dividend policy as a publicly listed REIT in Korea.

As of the end of June 2022, our assets under management (AUM), beginning with KRW 2.4 trillion and being the largest in South Korea, will continue to jointly grow with SK Group, and our portfolio includes "SK Seorin Building," SK Group's integrated company building, which is a high-quality asset 100% master-leased by SK Group, along with SK Hynix's company building, "SK U-Tower," and "116 gas stations" under the SK Energy brand.

Additionally, SK REIT has secured financing competitiveness by acquiring the high est credit rating (AA-) among Korea's publicly listed REITs, based on its excellence in asset quality and lease structuring.

Going forward, SK REIT will continue to lead the Korean REIT business based on the strong business drive and innovative management strategy that led to becoming the first, the largest, and the highest in its class within a year of listing, and we will commit ourselves to consistently delivering the greatest-possible shareholder value.

* Asset Under Management (As of June 30, 2022)



SK REIT AT A GLANCE

INVESTMENT POINT 01 | INVESTMENT POINT 02 | INVESTMENT POINT 03

EVOLVING INTO THE NO.1 AUM REIT WITH KOREA'S BEST ASSETS

SK REIT has obtained the best credit rating of AA– in the industry based on its high–quality assets of AUM* at KRW 2.4 trillion, the largest in Korea, and 2 prime offices in key locations and gas stations with a total area of 164,289 m2 (50,000 py). It will continue to secure new growth power through consistent asset incorporation and will establish stability by diversifying its portfolio.

*AUM: Asset Under Management, Asset size

SK Seorin Building

AUM Size*

KRW **2.4** trillion

Company Credit Rating

AA-

(NICE Investors Service, Korea Ratings Corporation)

Number of AUM*

118

2 offices 116 gas stations

* As of June 30, 2022

SK Seorin Building

Total Floor Area

83,828㎡ (25,358 py)

Prime–level office space of at least 80,000 m2 (20,000 py) within the Central Business District (CBD)

SK U–Tower

Total Floor Area

86,804㎡ (26,258 py)

Key landmark office within the Bundang (Pangyo) Business District (BBD)

SK Energy Gas Station

Site Area

170,942㎡ (51,710 py)

48% of which are located in metropolitan areas and commercial districts with high development potential

* Right of first offer: Holds that the right of first offer is being negotiated for SKT Tower (Euljiro 1–ga Station) and SKP Tower (Pangyo Techno Valley), respectively located in the center of Seoul and Pangyo, in addition to SK U–Tower, which has already been exercised and closed

SK REIT AT A GLANCE

INVESTMENT POINT 01 | **INVESTMENT POINT 02** | INVESTMENT POINT 03

CONTINUOUS PROFIT GENERATED WITH SOLID STABILITY

SK Group is a long–term 100% master tenant of SK Group, and the weighted average lease expiry is six years and nine months. In addition, continuous profit can be generated stably, even during periods of rising interest rates, through the consumer price index (CPI) conjunction.

SK U–Tower

SK Group as 100% long–term master lease

100%

The weighted average lease expiry

6years 9months

(11years and nine months with application of tenant extension option)

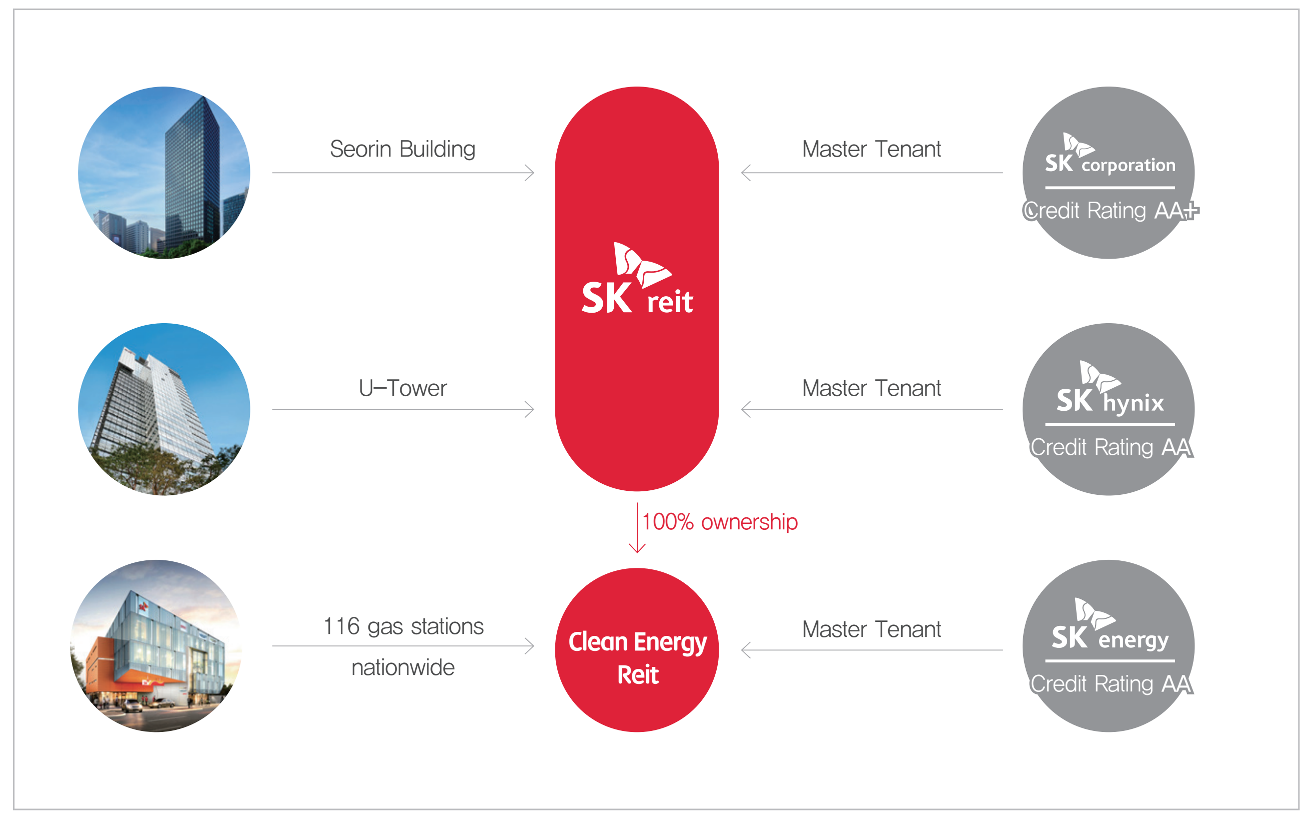
Rent Increase Rate

CPI–conjunctive

Management Cost Payment

Triple Net*

* Maintenance cost, insurance premium, public charges and tax burdened by tenant



SK REIT AT A GLANCE

INVESTMENT POINT 01 | INVESTMENT POINT 02 | INVESTMENT POINT 03

MAXIMIZATION OF SHAREHOLDER VALUE THROUGH THE INNOVATIVE QUARTERLY DIVIDEND POLICY

SK REIT was first in the industry to establish shareholder–friendly policies that execute quarterly dividends. It recorded a subscription deposit of KRW 19.3 trillion, the greatest figure for IPO subscription at that time among REITs, along with the highest oversubscription ratio (552:1).

SK Energy Gas Station

The First Listed REIT

Execute Quarterly Dividends

Dividend Yield *

5.72%

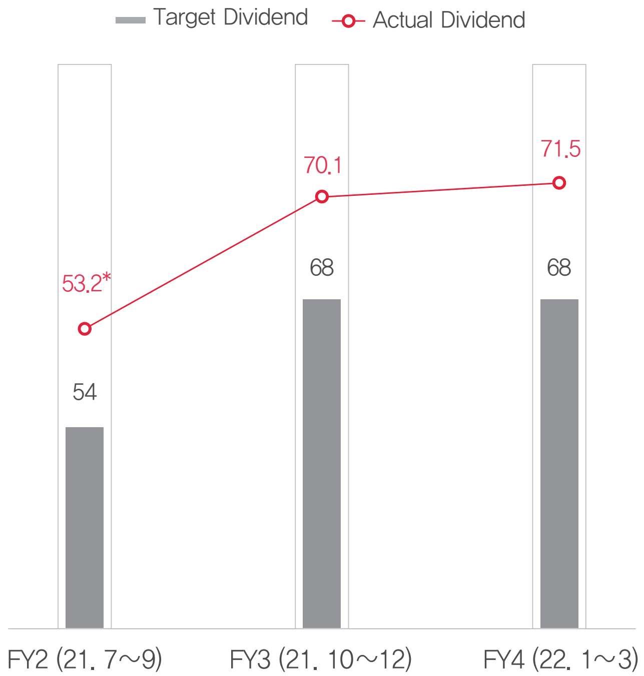
Annualized Dividend Per Share

(As of March 31, 2022)

KRW 237

* As of the end of the reporting period in March 2022 (FY4). (KRW 71.5 per share X annualization)/offering price per share of KRW 5,000

Dividend Status



* Acquired on July 6 as asset, and as this is a result of difference in the number of business days, it will be the level of target dividend if modified

ABOUT SK REITS MANAGEMENT

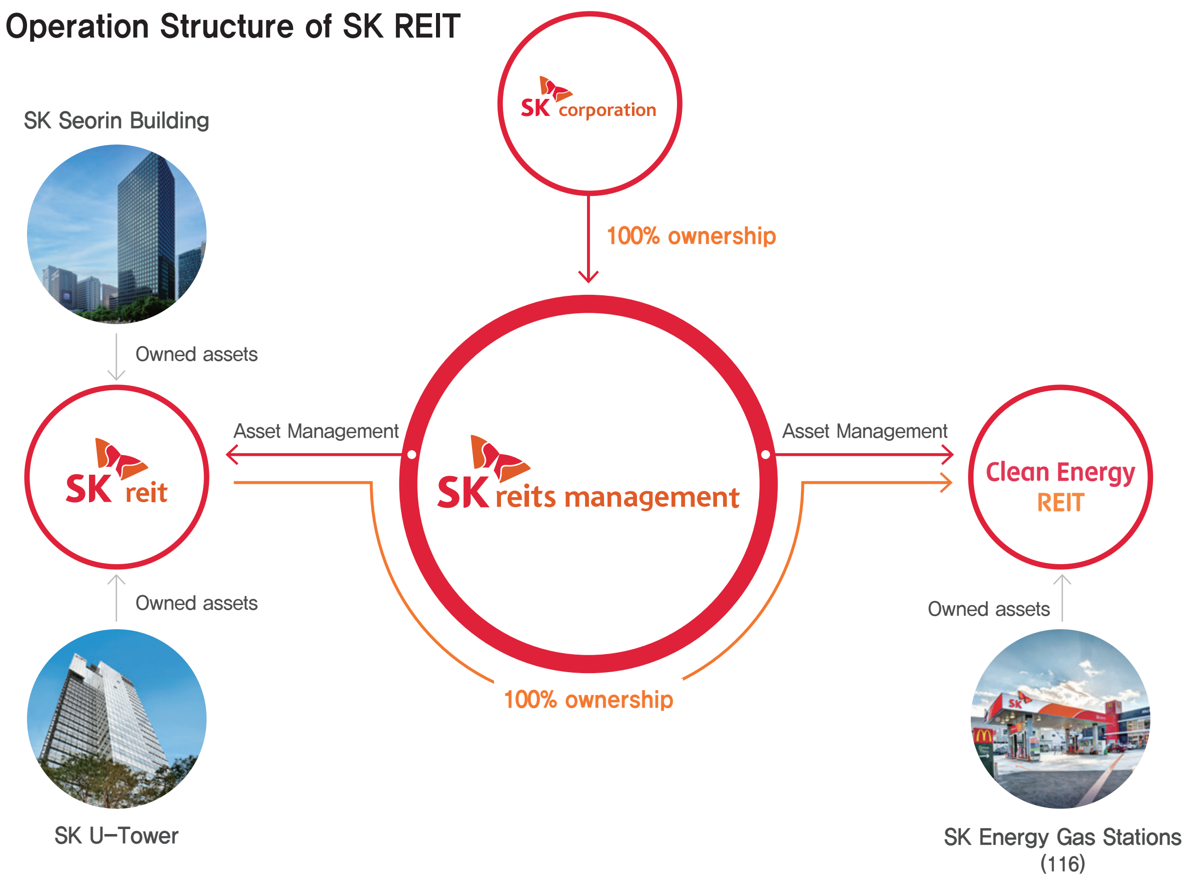
SK REITs Management is an asset-management company (AMC) that received authorization from the Ministry of Land, Infrastructure, and Transport in March 2021, established as a wholly owned subsidiary of SK Inc. in January 2021.

SK REITs Management is led by real estate experts that oversee the stable growth of SK REIT based on an internal and external asset-incorporation strategy in connection with SK Group's business.

SK REITs Management manages the consigned assets of SK REIT, which holds SK Seorin Building, with SK as the master tenant of this space located at the center of Jongro-gu, Seoul, along with Bundang SK U-Tower, with SK Hynix as the master tenant, and Clean Energy REITs that include 116 gas stations nationwide, with Korea's No.1 oil refinery, SK Energy, as the master tenant.

As of the current consolidated sales at the end of June 2022, SK REIT's AUM, managed by SK REITs Management, has captured approximately KRW 2.4 trillion.

Operation Structure of SK REIT



2022

Mar. 10
Obtained credit rating of AA- (Stable) from NICE Investors Service (ICR)

AA-

May 20
Obtained credit rating of AA- (Stable) from Korea Ratings (ICR)

AA-

May 26
Approved by the Ministry of Land, Infrastructure, and Transport

June 30
Acquired SK U-Tower and initiated its master-lease agreement

2021

Mar. 15
Established SK REIT (600,000 shares, capital of KRW 300 million)

June 7
Approved by the Ministry of Land, Infrastructure, and Transport

July 6
Acquired SK Seorin Building and initiated its master-lease agreement

July 7
Acquired 116 gas stations of SK Energy and began master lease

Sept. 14
Listed on the stock market

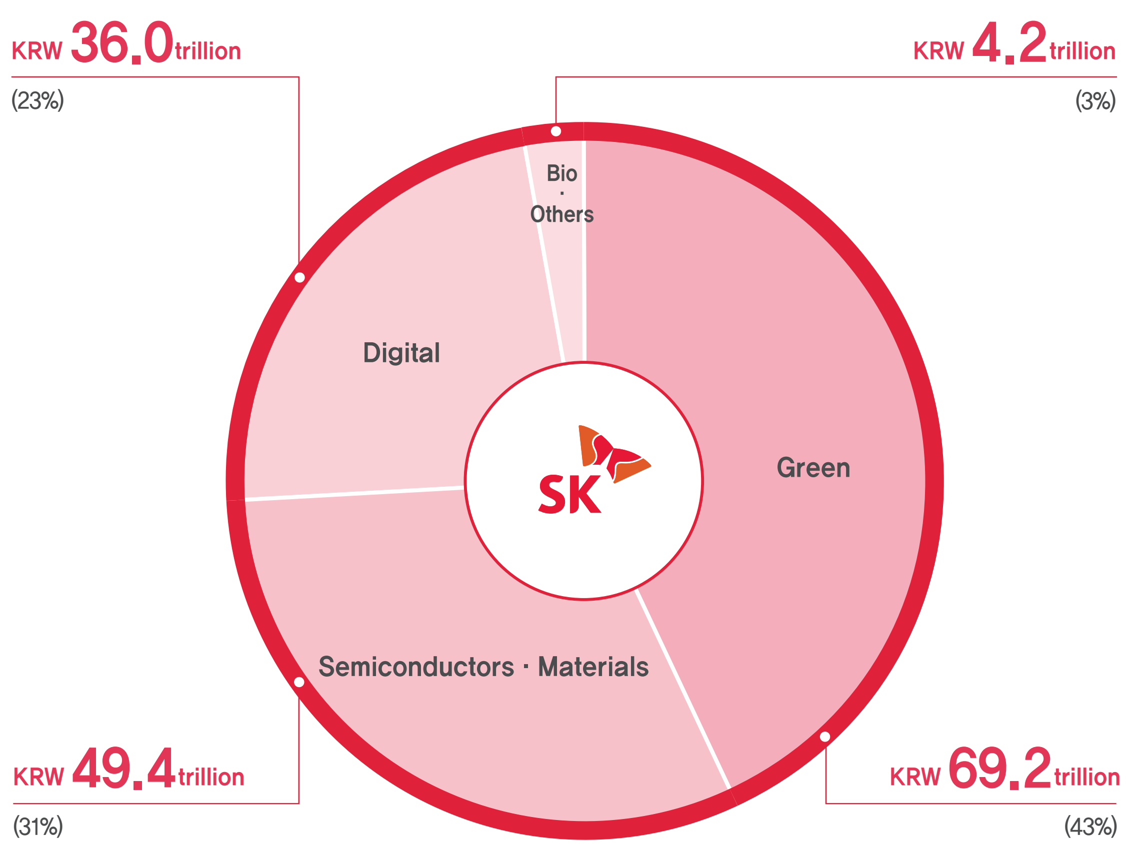
ABOUT OUR SPONSOR

General Information

SK Group is a large-scale company that ranks No.129 among Fortune's 500 Global Companies of 2021 and No.2 in Korea based on total assets. It creates value for the happiness of its stakeholders through all its business domains, including green initiatives that lead global growth, semiconductors and materials, digital and bio industries, etc.

* Based on total assets of 76 Korean company organizations subject to disclosure announced by the Fair Trade Commission in May 2022

SK Group Sales: KRW 158.9trillion



(As of Dec. 31, 2021)

Business Classification

Green
- Future Energy: SKI, E&S, Gas
- Environment: SKEP

Semiconductors and Materials
- Semiconductors: SKHY
- Advanced Materials: SKMR, SKSL, SKC

Digital
- ITC: SKT, C&C
- Mobility: SKN

Bio and Others
- Bio: SK Chemical, SKBP, SK Pharmteco, SK Inc., Discovery

SK REIT Established as Part of Financial Story

SK Group, as a company specializing in investments based on the four key business domains of green industries, semiconductors and materials, digital industries, and bio industries, has sufficiently secured the support of stakeholders and market reliability to declare 2022 the year of entering its "big leap." Moreover, in 2020, SK Group declared its contributions to society through sustainability and ESG enhancement, and it continues to write its financial story as part of its overall growth strategy.

By investment-merchandising its high-quality assets as listed REIT, SK Group has given shape to the notion of social value for a company providing an attractive investment source to investors while simultaneously pursuing REIT business as part of its asset-light policy.

ABOUT OUR TENANTS

SK REIT holds SK Group's high-quality assets as a sponsor REIT and is generating stable profit based on the rental income paid by SK Group's affiliates with high credit ratings as blue-chip tenants.

SK corporation

Professional value investor that creates a sustainable future

SK Inc. generates profit from subsidiaries with global competiti-veness in various business domains, including energy, chemistry, information and communication materials, logistics services, etc., selecting advanced materials, bio, green, and digital business as the four key business domains, and based on this, is planning to actively promote new growth-investment companies in the field.

Total Assets

KRW 165.4 trillion

Sales

KRW 98.3 trillion

Operating Income

KRW 4.9 trillion

Credit Rating AA+ (NICE Investors Service May 24, 2021)

AA+

(Based on consolidated financial statements as of Dec. 31, 2021)

SK hynix

Global top-tier company that contributes to humanity and society through technology

SK Hynix ranks third globally in the DRAM and NAND semiconductor field, recording KRW 43 trillion in consolidated sales for 2021. Furthermore, SK Hynix will create additional value by strengthening ESG management that considers social value and healthy company governance.

SK Hynix provides greater value to its stakeholders, such as customers, cooperative companies, regional communities, members, etc., through global tech leadership. Additionally, it makes efforts to become a solution-provider that leads the global ICT ecosystem through hyper-cooperation that breaks the initial mold with global partners.

Total Assets

KRW 96.4 trillion

Sales

KRW 43.0 trillion

Operating Income

KRW 12.4 trillion

Credit Rating AA (NICE Investors Service Jun. 29, 2021)

AA

(Based on consolidated financial statements as of Dec. 31, 2021)

SK energy

Top energy company in the Asia Pacific region, contributing to the happiness of customers and society through energy

As the No.1 oil refinery that pioneered the industry back in 1962, SK Energy exports various oil products generated at its Ulsan crude-oil refining complex with a capacity of 840,000 barrels per day. SK Energy operates 2,974 gas stations as of the end of 2021, which represents Korea's largest network.

SK Energy plans to maximize profitability through flexible operation, facility optimization, etc., along with adapting to the external environment that is consistently changing. Simultaneously, under the directionality of "Carbon to Green," it will give shape to the environment-friendly business model to achieve net zero and proceed with a demonstration of its gas station oil-cell project utilizing accumulated marketing capabilities.

Total Assets

KRW 14.9 trillion

Sales

KRW 26.7 trillion

Operating Income

KRW 7,121 trillion

Credit Rating AA (NICE Investors Service Mar. 24, 2021)

AA

(Based on consolidated financial statements as of Dec. 31, 2021)

Enclean Gas Station, Yongin

Bisan Gas Station, Busan

Bangmi Gas Station, Seoul

LETTER FROM THE CEO

Dear Respected Shareholders:

SK REIT successfully completed its listing on KOSPI in September 2021, even amidst the uncertain economic conditions surrounding the prolonged COVID-19 pandemic. We appreciate your trust and faith in SK REIT, dating back to the point of its establishment, the preparation stages for its listing, and up until the final completion of its listing. SK REIT has made great efforts to establish itself as a national REIT that provides the best level of marketability based on growth and stability in order to meet all your expectations. I would like to summarize our major achievements for the year, as follows.

We manage the best-quality real estate in South Korea as a REIT with the industry's highest credit rating.

SK REIT owns key real estate assets that reflect SK Group's growth history. It manages SK Group's integrated company building, Seorin Building, located within Seoul's core business district, SK Hynix's company building, SK U-Tower, and 116 gas stations under the SK Energy brand, located at major transportation points nationwide. Hereby, SK REIT has established an excellent asset portfolio in addition to achieving AUM of KRW 2.4 trillion as the No.1 REIT in South Korea.

Based on such excellent real estate assets, SK REIT was able to obtain a credit rating of AA-, the highest in Korea's REIT industry.

We have secured stability that persists through market fluctuations.

Despite the growing uncertainties surrounding the global economy in 2022, which have led to historic interest hikes and inflation, SK Group's companies with the highest possible credibility have served as long-term master tenants, securing persistent stability through economic recession.

SK REIT minimizes the external risk factor of inflation by linking the rent escalation to the consumer price index (CPI) and entering into a triple-net lease agreement in which the tenant bears the expense. Furthermore, even from the risk aspect of rising interest rates, such risk will be hedged by adopting an advanced loan-financing method, such as issuing corporate bonds based on Korea's highest REIT credit rating.

SK REIT has acquired SK U-Tower through the right of first offer, as was promised upon IPO subscription.

SK REIT has long prepared for the chance to exercise the right of first offer regarding SK Group's major assets, as was promised upon IPO subscription. Through negotiation with SK Hynix earlier this year, we exercised the right of first offer in executing the purchase of SK U-Tower, which we completed the acquisition of on June 30, 2022.

We will continue to secure growth momentum through exercising the right of first offer regarding real estate property held by group companies.

We have maximized product value through the first quarterly dividend as a publicly listed REIT.

SK REIT has adopted the Korean REIT industry's first quarterly dividend in order to provide differentiated value to our shareholders. Through quarterly dividends, SK REIT induces steady fund inflows for institutions, such as retirement pensions and pension funds, as well as for individuals that seek steady income, and it realizes the maximization of shareholder value by minimizing price volatility. SK REIT has paid a quarterly dividend every three months since its listing in September 2021, and it achieved paying a quarterly dividend of KRW 71 in March 2022, which is higher than the target in the business plan of KRW 68.

SK REIT will not be complacent with such achievements and promises to progress toward the global top tier through innovative and balanced growth.

We will build mid- and long-term growth momentum through asset acquisition.

We will secure domestic and foreign high-quality assets from new growth businesses pursued by SK Group, such as ESG, secondary cells, ICT, semiconductors, etc., as growth pipelines and will fulfill balanced growth by incorporating them sequentially. We will exert all our capabilities to create a year of pursuit to emerge as a global REIT that transcends beyond Korean standards.

We will minimize interest risks through stable lease and financial structure.

Even amidst the higher prices and high interest rates that are directly appearing in the year 2022, SK REIT established funding competitiveness that can sustain stable cash flow. We will minimize the market-volatility risk by implementing a stable cash-flow model through a market-leading asset- management system, such as by retaining tenants of SK REIT with high credit ratings, a rental-escalation structure linked to inflation, triple-net lease agreements with fixed expenses, etc.

Shareholders and stakeholders, SK REIT has only just begun its growth. We will do our utmost to emerge as a top-tier global REIT in Asia, moving well beyond our standing as Korea's best REIT. We look forward to your unwavering interest and support.

Thank you.

Shin Do-Chul
CEO, SK REITs Management

SK REIT MILESTONES

(As of June 30, 2022)

September 2021

Recorded a subscription deposit of KRW 19.3 trillion, a record-breaking figure for REITs in terms of IPO subscription, along with the highest oversubscription ratio (552:1)

A Subscription Deposit

KRW 19.3 trillion

Oversubscription Ratio

552:1

SK REIT recorded a subscription deposit of KRW 19.3 trillion prior to its listing, signaling the greatest figure for an IPO subscription among REITs, to go with the highest oversubscription ratio (552:1). By entering at a time when the Korean REIT market was expanding and REITs were gaining appeal as assets with realizable profit, SK REIT received great attention by presenting differentiated investment points, such as possession of best-quality assets, the right of first offer, quarterly dividends, joint growth with SK Group, etc. In particular, above all, general investors recognized SK REIT assets as a stable source of investment, and SK REIT played a substantial role in expanding its base to enable general investors to actively invest in REIT assets.

September 2021

Listed on the Korea Stock Exchange

KRX KOREA EXCHANGE

SK REIT was successfully listed on the Korea Stock Exchange within six months of its establishment on September 14, 2021.

Its opening price was determined at KRW 5,340, a 6.8% increase from the initial offering price of KRW 5,000, with the highest intraday price recorded at KRW 6,380, a 19.5% increase from the opening price. Its first day of listing closed at KRW 5,780, a 6.8% increase. Subsequently, SK REIT recorded its highest price of KRW 7,290 on April 27, 2022.

March 2022

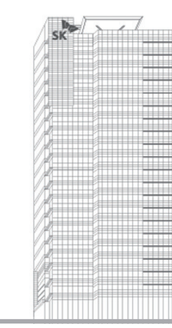
Affirmed Credit Rating of AA-, the highest among all REITs in Korea

The Highest Credit Rating AA-

SK REIT was the first in the industry to obtain an ICR credit rating of AA- from NICE Investors Service. With this, SK REIT proved the highest level of financial solidity in the industry and increased its financing competitiveness by obtaining the highest credit rating as a listed REIT. Obtaining such a rating was a result that reflected asset growth through the master sponsor and lease, such as SK Group, along with stability and profitability from the master lease, Triple Net, and the lease contract applying rental escalation linked with increased consumer prices.

June 2022

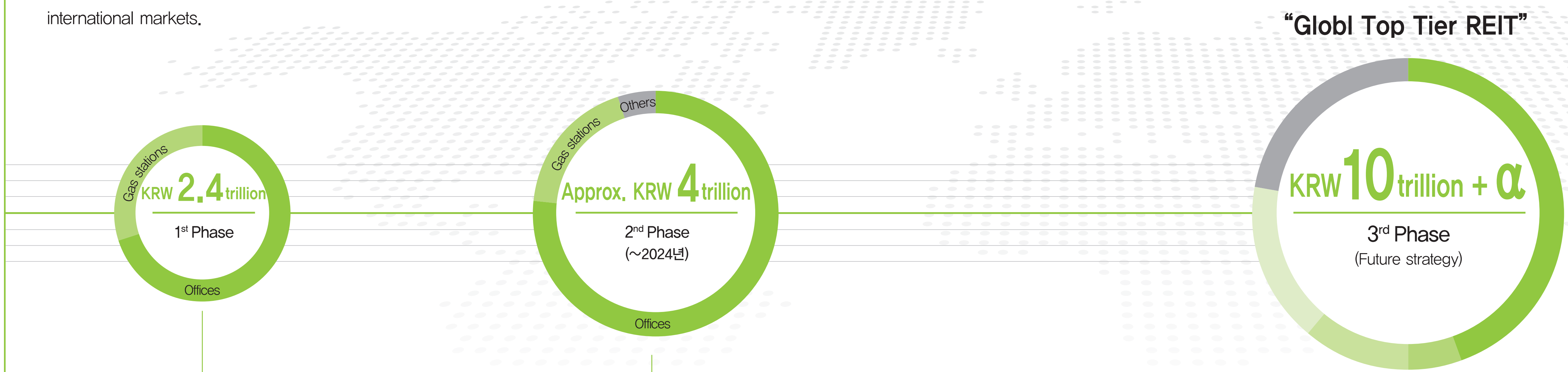
Acquisition of SK U-Tower in June 2022 through the right of first offer



SK REIT entered into a real estate sale and leaseback agreement with SK Hynix to acquire SK U-Tower, located in Jeongja-dong, Bundang-gu, Seongnam-si, Gyeonggi-do, for KRW 507.2 billion, and subsequently re-entered into a master-lease agreement with SK Hynix. SK U-Tower is expected to gain additional asset value with both high stability and scarcity. The acquisition of SK U-Tower was the first case of the right of first offer for SK Group assets, and through this, SK REIT rose to No.1 in South Korea in asset size, with AUM of KRW 2.4 trillion.

VISION & STRATEGY

SK REIT aims to capture AUM of approximately KRW 4 trillion by 2024 through exercising the right of first offer regarding assets on SK Group's major assets for the mid– and long–term outlook. Furthermore, SK REIT will put its best efforts toward achieving the vision of "global top–tier REIT" with a diverse and balanced portfolio of at least KRW 10 trillion by acquiring assets linked to SK Group's key businesses, including data centers, logistics, infrastructure, etc., internally and externally targeting both domestic and international markets.



SK hynix


SK U-Tower

Bundang–gu, Seongnam–si
(Acquisition complete_June 30, 2022)

SK telecom


SK T–Tower

Jung–gu, Seoul

SK planet


SK Planet Tower

Bundang–gu, Seongnam–si

"Consistent acquisition of assets subject to right of first offer"

Establishment of structure in which SK REIT and SK Group can mutually grow

"SK Reit leads market with new acquisition of SK Group's business linked assets"

Right of First Offer

Currently, SK Group's target assets, for which SK REIT holds the right of first offer, are prime assets with prominent future value, located at key locations in the Central Business District (CBD) of Seoul and the Bundang (Pangyo) Business District (BBD). Among these assets, SK REIT acquired SK U–Tower, SK Hynix's company building located in Bundang, and it plans to establish an asset portfolio with strengthened stability and profitability by exercising the right of first offer for SK Planet Tower and SKT Tower.

FINANCIAL HIGHLIGHTS

SK REIT paid out three rounds of quarterly dividends following its listing in September 2021, and its dividend per share was KRW 71.5 for the first quarter in 2022. The acquisition of SK U-Tower, which is SK Hynix's company building, was completed during the second half of 2022, and the figure for AUM was expanded to KRW 2.4 trillion. SK REIT will maximize its profit for the company and REIT investors through a consistent growth strategy that acquires and manages real estate asset pipelines with attractive real estate assets across various sectors owned by SK Group.

FY1 ~ FY4 Key Figures*

(Mar. 15. 2021 to Mar. 31. 2022)

Total Assets

KRW **1,883** billion

Net Income

KRW **24.2** billion

EPS

KRW **237**

Dividend Ratio **

5.72%

* FY1: Mar. 15. 2021 to Jun. 30. 2021 / FY2: Jul. 1. 2021 to Sep. 30. 2021
FY3: Oct. 1. 2021 to Dec. 31. 2021 / FY4: Jan. 1. 2022 to Mar. 31. 2021

** As of reporting period on Mar. 2022 (FY4). Annualized ratio = (KRW 71.5 per share X annualization)/initial offering price of KRW 5,000

Summary of Consolidated Statements of Financial Position

(Unit: KRW million)

	FY1 ~ FY4 (Mar. 15. 2021 to Mar. 31. 2022)
Current Assets	25,224
Non-current Assets	1,857,974
Total Assets	**1,883,198**
Current Liabilities	3,948
Non-current Liabilities	1,104,383
Total Liabilities	**1,108,331**
Share Capital	77,510
Other Paid-in Capital	687,262
Retained Earnings	10,094
Total Equity	**774,867**
Total Liabilities and Equity	**1,883,198**

Summary of Consolidated Statements of Comprehensive Income

(Unit: KRW million)

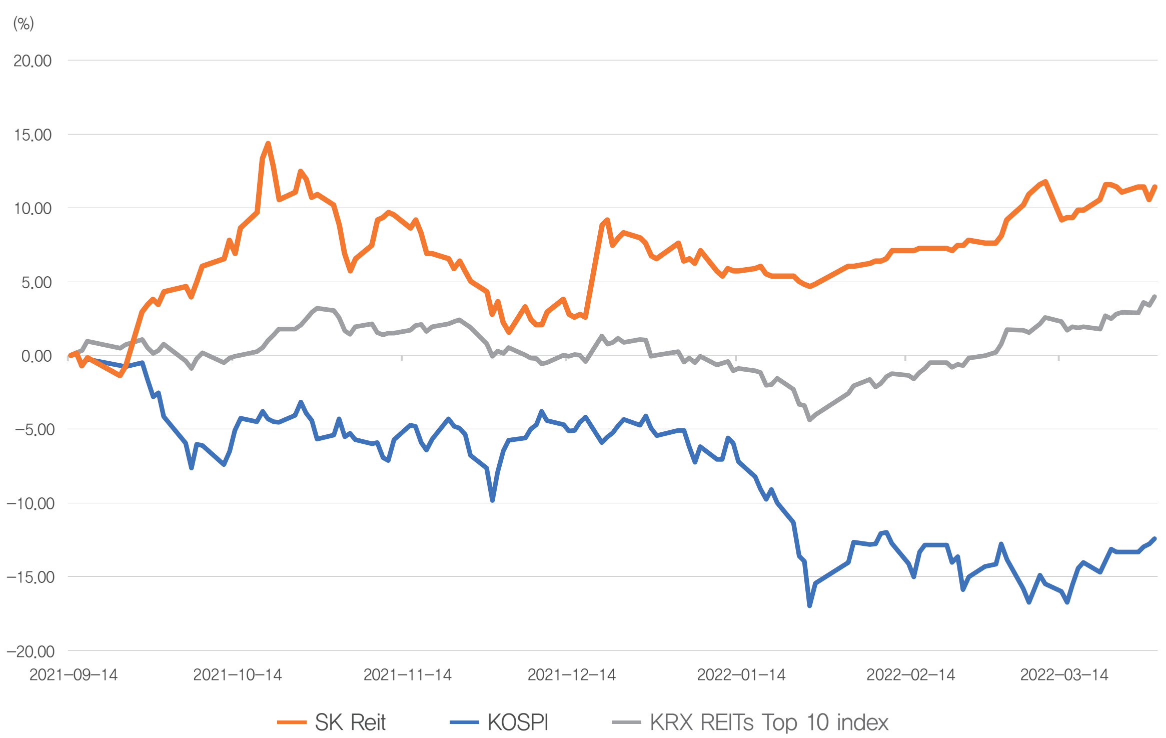
	FY1 ~ FY4 (Mar. 15. 2021 to Mar. 31. 2022)
Operating Revenues	**54,255**
Operating Expenses	**10,224**
Operating Income	**44,032**
Profit Before Income Tax Expense	**24,189**
Income Tax Expenses	**0**
Net Income	**24,189**
Earnings Per Share (KRW)	**237**

SHAREHOLDERS' INFORMATION

Since listing on KOSPI on September 14, 2021, SK REIT has consistently outperformed the market profit rate and recorded a price increase of at least 10% from the stock's initial offering price of KRW 5,000, as of the end of March 2022.

Relative Performance

(Sep. 14, 2021 to Mar. 31, 2022)



* KRX REIT Top 10 Index includes ESR Kendall Square REIT, JR Global REIT, Lotte REIT, KORAMCO Energy Plus REIT, SK REIT, Shinhan Alpha REIT, D&D Platform REIT, NH All One REIT, E-REITs KOCREF, and Shinhan Seobu REIT.

Stock Price

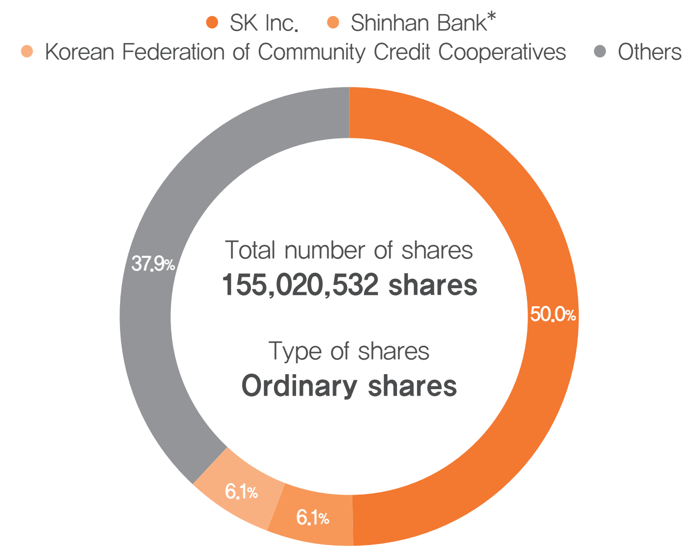
(As of Mar. 31, 2022)

Closing price	KRW 6,440
Highest/Lowest	KRW 7,290 / KRW 5,320
Total market capital	KRW 998.3 billion

Major Shareholders

(As of Mar. 31, 2022)

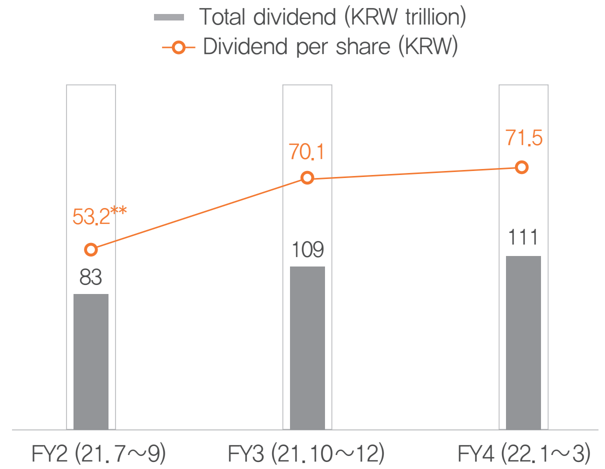
SK Inc. holds 50% of the total of 155,020,532 issued shares. The remainder is held by major domestic and foreign institutions and individuals.



* In the position of trusted business for Igis REIT portfolio-investment private-equity real estate investment trust No.1

Dividends

SK REIT pays out dividends four times annually to shareholders, coming at the end of March, June, September, and December each year, with most of its real estate lease income. In order to enhance shareholder value, SK REIT was the first in South Korea to offer quarterly dividends and has paid out dividends on a total of three occasions to this point, recording an annualized dividend and dividend yield rate of KRW 237 and 5.72%* (Footnote 1), respectively.



* Annualized dividend yield rate: As of end of the reporting period in Mar. 2022 (FY4), (KRW 71.5 per share X annualization)/initial offering price of KRW 5,000

** Acquired on July 6 as asset, and as this is a result of difference in the number of business days, it will be the level of target dividend if modified

Credit Rating

SK REIT obtained Korea's highest rating, AA-, though prime-level asset competitiveness located in key regions, synergy growth with major affiliates of SK Group, and the highly evaluated lease quality of triple-net master-lease agreements.

AA-	U-AA-
Stable	Stable

NICE Investors Service: May 10, 2022

Korea Ratings Corporation: May 20, 2022

CORPORATE GOVERNANCE

SK REIT is a paper company that cannot hire full–time employees as a trust–management real estate investment company. In compliance with the Commercial Act and the "Real Estate Investment Company Act," it holds a general meeting of shareholders and a board of directors as internal organizations. SK REIT has appointed SK REITs Management as the corporate director and two persons as supervisory directors in compliance with the "Real Estate Investment Company Act." The role and authority of the general meeting of shareholders and board of directors are prescribed by the "Real Estate Investment Company Act," and transparent management, investment yield management, and investor protection are assured through decision–making and surveillance of the general meeting of shareholders and board of directors.

Structure

General Meeting of Shareholders

Board of Directors
1 corporate director
2 supervisory directors

Asset–storing Company
SK Securities
Daehan Real Estate Trust

· Storage and management of securities
· Storage and management of cash
· Storage of real estate
· Affairs related to dispersion (settlement), etc.

Asset–management Company
SK REITs Management

· Acquisition, management, improvement, disposition of real estate, etc.
· Lease of real estate, etc.
· Securities trading and exercising rights
· Real estate development business investment
· Financing, such as loans, issuing shares
· Exercising voting rights for equity securities of trust property

Trust Company
Shinhan Aitas

· Affairs related to transfer of name for issued shares
· Affairs related to issuing shares
· Affairs related to listing if trustor lists shares
· Affairs related to operation, calculation, tax
· Notification and announcement affairs for laws or Articles of Association
· Dispersion and settlement affairs, etc.

Board of Directors

SK REITs Management
Corporate Director

Kim Jae–jung
Supervisory Director

- Current Advisor, Yoon & Yang LLC
- Former Advisor, HW Consulting
- Former Director General for Housing Policy, Director of Construction Policy, Chief of National and Urban Planning, Chief of Planning and Coordination, Ministry of Land, Infrastructure, and Transport
- Former Director General for Land Policy, Ministry of Land, Transport, and Maritime Affairs

Kim Dong–su
Supervisory Director

- Current Vice President, Grant Thornton Daejoo
- Former Director, Kolon HRD Center
- Former CFO, Kolon Global

Managing Directors

Shin Do–Chul
CEO

- SK REITs Management
- Former SK SUPEX
- Former SK Telecom
- Former Financing Affairs of SK Group

Baek Min–Ju
General Manager

- SK REITs Management
- Former SK SUPEX
- Former SK Planet
- Former Samil PWC Accountings

RISK MANAGEMENT

SK REIT has established itself as the most stable REIT among publicly listed REITs in South Korea and is operating the highest-standard of monitoring and response system in the risk-management sector to secure stable asset management and profitability while minimizing variability.

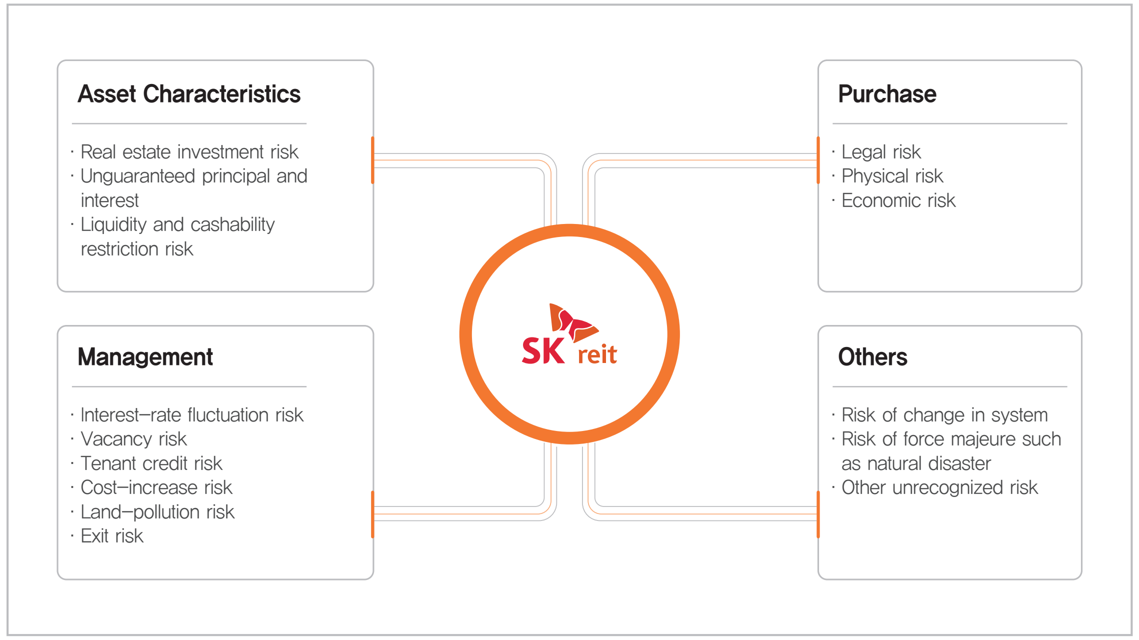
Policy and Purpose of Risk Management

The risk-management policy of SK REIT mainly focuses on identifying potential risks within the market risk, credit risk, and liquidity risk, including interest rates, prices, exchange rates, etc., that can impact financial performance to reduce, remove, and avoid, according to acceptable levels. The purpose of risk management is to enable creation of stable and consistent management performance for SK REIT while simultaneously contributing to enhancing the company's competitiveness by improving the financial structure and efficiency of asset management.

Major Risk-Management Methods

Risk Related to Principal-Agent Problem and Conflicts of Interest	SK REIT has applied the authority and function of the general meeting of shareholders and the board of directors in the Articles of Association to prevent the risk arising from the principal-agent problem. Hereby, stable coordination of affairs between the entrusted companies, asset-management company, asset-custody organization, and trust company is established, thus reducing concern for conflicts of interest by managing the quality of affairs and conflicts of interest following trust agreements with each company. In particular, in trading with related parties, the focus is on preventing the risk of conflicts of interest through consideration and resolution of the committee for prevention of conflicts of interest.
Profit Structure and Operating Expense Risk	The management of SK REIT's target is to create a consistent and stable source of dividend yield for investors through lease income generated by real estate assets owned by a real estate investment company. In order to enhance the prediction of business performance and reduce the volatility of lease income, SK REIT managed long-term lease agreements with SK Inc. and SK Energy as master tenants in an effort to reduce vacancy risks as well as operational expenses through a triple net lease-agreement structure in which the tenant bears repair and maintenance costs, insurance premiums, and public charges and taxes.
Business Fluctuation Risk	SK REIT regularly monitors financial risks, such as debt ratio, debt-redemption ratio, current ratio, etc., by self-inspecting the financial risks at each quarter. Additionally, potential risks are to be predicted and responded to immediately by systematically managing liquidity risks, such as periodically establishing mid- and long-term budget plans and scrutinizing actual cash inflow and outflow schedules.

Risk Factors and Categories Subject to Intensive Management



REVIEW OF OPERATIONS

SK REIT is primarily characterized by its high–quality assets that are utilized as the major business sites and company buildings of SK Group and a stable lease structure.
As of the end of June 2022, SK REIT owned two office buildings and 116 gas stations as AUM on a consolidated basis, with the size of AUM being KRW 2.4 trillion.





PERFORMANCE

MAJOR ACHIEVEMENTS | SOLID ASSET QUALITY

SK REIT is primarily characterized by its high-quality assets that are utilized as the major business sites and company buildings of SK Group and a stable lease structure. It ranked No.1 for Korean REITs in terms of AUM within a year of its initial listing, demonstrating consistent acquisition of assets.

Highest Level of Master Tenants and Stable Rent Income

As a REIT sponsored by SK Group, SK REIT manages assets that are 100% master-leased by SK affiliates acting as reliable tenants with high credit ratings. Through long-term lease agreements with tenants renting 100% of the leasable areas, SK REIT manages assets without any burdens of vacancy regarding its real estate, and through the lease agreements with Triple Net structure (whereby public taxes and imposts, insurance premiums, and repairs and maintenance costs are borne by tenants) and CPI-linked rental escalation, it has achieved a stable lease-profit structure that can maintain or increase dividends regardless of interest-rate hikes.

SK Group Master Lease

100%

High-Quality Assets in Excellent Locations

Among the assets of SK REIT, SK Seorin Building boasts its high-quality value as a prime office building located in the key Seoul CBD area, while SK U-Tower is located in the center of the Bundang (Pangyo) Business District. Additionally, most of SK REIT's assets in terms of its 116 gas stations, located in metropolitan areas and excellent service areas and with high ratios of land to make up 95% of the asset value, are also high-quality assets that can realize profit and raise asset value through future development and sale. SK REIT reached the status of No.1 REIT in AUM by acquiring SK U-Tower while exercising the right of first offer. It is sure that SK REIT will maintain its status as the best REIT domestically in terms of asset quality and size as it exercises the right of first offer on other high-quality assets held by SK Group.

AUM in South Korea

1st

Innovation-Management Policy for Enhancing Shareholder Value

SK REIT has been fulfilling transparent and innovative management to enhance shareholder value by investment-merchandising high-quality real estate assets of SK Group and maximizing investment value. SK REIT was the first in the REIT industry to enforce a positive shareholder-return policy through quarterly dividends and enhanced shareholder value by minimizing variability both before and after allotment. SK REIT has acquired a high credit rating of AA- (stable), which represents the highest rating in Korea, through maximized management of shareholder value and by way of exerting the fullest efforts to enhance company value by re-evaluating real properties biannually and notifying the results thereof to shareholders, etc. Meanwhile, SK REIT is planning to join FTSE EPRA (Nareit Global REITs Index ("FTSE index")), which is a renowned global REIT index, with an aim to deliver company value to global investors. After joining the index, a rise in shareholder value is expected from the increased proportion within FTSE index following the inflow of foreign investment funds and SK REIT's growth.

The Highest Credit Raring in South Korea

AA-

PERFORMANCE

MAJOR ACHIEVEMENTS | SOLID ASSET QUALITY

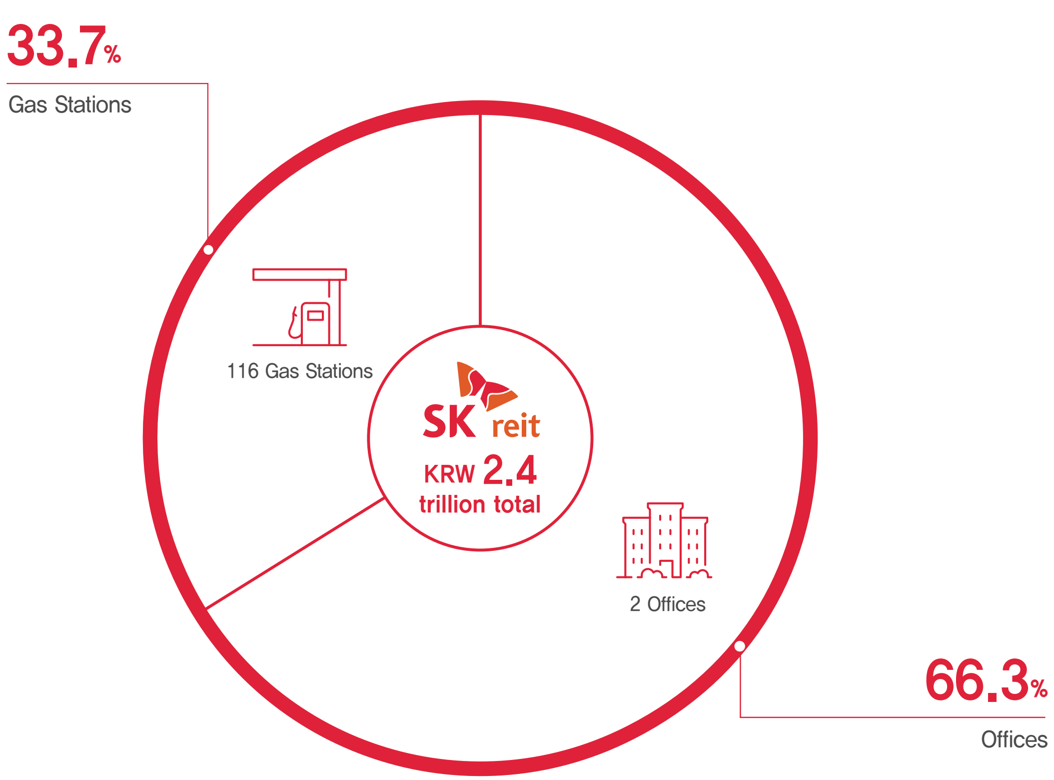
Asset Status

As of the end of June 2022, SK REIT owned two office buildings and 116 gas stations as AUM on a consolidated basis, with the size of AUM being KRW 2.4 trillion, whereby the office and gas station properties account for 66.3% and 33.7%, respectively. The weighted average of the residual lease term of lease agreements (Footnote 1) regarding total assets is six years and nine months, and the average of the residual lease term is 11 years and nine months when applying the tenant's renewal options. SK REIT has scattered the expiry dates of lease agreements for the respective assets and included the five-year renewal options, thereby hedging the risks of contract expiration. SK REIT will continue to select and acquire assets while prioritizing a lease structure that secures highly reliable tenants and prime assets with prime locations to create stable profit.

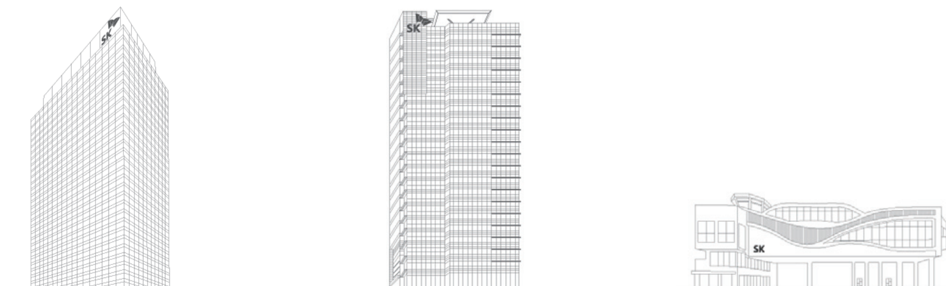
* The weighted average of residual lease term = (Residual lease term of the respective tenants x size of leased areas) / size of total leased areas

Ratio Status of Assets

(As of June 30, 2022)



Summary Table of Assets



Classification	SK Seorin Building	SK U-Tower	116 SK Energy Gas Stations
Location	99 Seorin-dong, Jongro-gu, Seoul	25-1 Jeongja-dong, Bundang-gu, Seongnam-si	116 nationwide
Location characteristics	Rare, prime-level office of at least 66,000㎡ (20,000 py) within CBD	Located at Jeongja Station in the center of Bundang District, with company buildings of conglomerates and government offices concentrated nearby	48% of total located within metropolitan area, 54% with commercial/residential/industrial purpose
Asset type	Office	Office	Gas station
Total floor area	83,828㎡ (25,358 py)	86,804㎡ (26,258 py)	85,369㎡ (25,822 py)
Land area	5,779㎡ (1,748 py)	9,967.80㎡ (3,015 py)	170,942㎡ (51,710 py)
Purchase price (Purchase date)	KRW 1,003 trillion (July 6, 2021)	KRW 507.2 billion (June 9, 2022)	KRW 766.4 billion (July 7, 2021; Nov. 25, 2021)
Appraisal-consultation value*	KRW 1.778 trillion	N/A	KRW 835.7 billion
Master tenant	SK (NICE Investors Service AA+, May 24, 2021)	SK Hynix (NICE Investors Service AA, June 29, 2021)	SK Energy (NICE Investors Service AA, Mar. 24, 2021)
Lease expiry	July 5, 2026 (Five-year extension available with tenant option)	May 29, 2027 (Five-year extension available with tenant option)	June 30, 2031 (Five-year extension available with tenant option)
Lease type	100% Master Lease	100% Master Lease	100% Master Lease
Rental rate**	3.9%	4.1%	4.2%
Rental-escalation structure	Linked with CPI-increase rate for Seoul for previous year (Threshold: 1.5%)	Linked with CPI-increase rate for Seoul for previous year (Threshold: 1.5%, Cap: 5.0%)	(One to five years) Rental fixed (At least six years) Linked with nationwide CPI-increase rate for previous year (Threshold: 1.0%)
Who bears the management cost***	Triple net	Triple net	Triple net

* Appraisal consultation fulfilled by Kyungil Appraisal Corporation, as of June 30, 2022

** Rental rate = Annual predicted rent/Sale price

*** Management cost Triple Net: Tenant bears maintenance costs, insurance premiums, taxes and public imposts

PORTFOLIO

SK SEORIN BUILDING | SK U-TOWER | SK ENERGY GAS STATION

SK Seorin Building

SK Seorin Building is an asset with high value and scarcity as an investment product, among the prime office buildings located within the CBD centered around Eulji-ro 1-ga Station on Subway Line 2 and Gwanghwamun Plaza. As a triple-station district adjacent to Subway Lines 1, 2, and 5, all within 400 m distance, it is without doubt that this location offers excellent accessibility to all Seoul metropolitan areas

SK Seorin Building, established as a building that has represented SK Group for 21 years since its construction, and with SK as the blue-chip tenant, has been used as an integrated company building for SK Group's major affiliates, such as SK Innovation, SK E&S, etc.

According to the value-estimation appraisal conducted by Kyungil, as of June 30, 2022, the asset value of SK Seorin Building is KRW 1.778 trillion, an approximately 7.4% increase from the acquisition price in July 2021.

Location
26 Jong-ro, Jongno-gu, Seoul (Seorin-dong 99) and another site

Use approval date
Oct. 19, 1999 (Renovated in 2019)

Service area
Urban area, general commercial area

Main use
Business facilities

Land area
5,779㎡ (1,748 py)

Total floor area
83,828㎡ (25,358 py)

Exclusive use ratio
53.50%

Size
B7 / 36F

Master tenant
SK Inc. (NICE Investors Service AA+, May 24, 2021)

Purchase price
KRW 1.003 trillion (July 6, 2021)

Estimated value of real estate
KRW 1.778 trillion (June 30, 2022, Kyungil Appraisal Corporation)

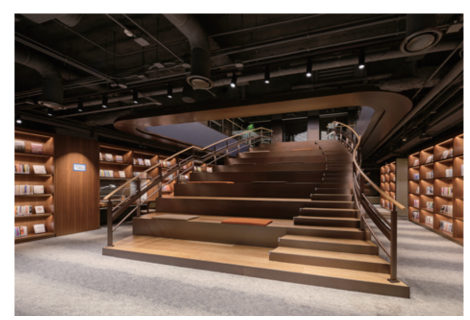
Lease Status

Subject Asset **SK Seorin Building**	Rental Rate* **3.9%**
Tenant** **SK Inc.**	Lease Term*** **5 years**
Rent **Approximately KRW 39.2billion per year**	Rent Increase Rate**** **Linked with CPI-increase rate for Seoul for previous year**
Lease Deposit **10-months' monthly rent**	Management Cost Payment***** **Triple Net**

* Rental rate = Annual predicted rent/Sale price
** 100% Master Lease
*** Extension available upon tenant's request (+5 years)
**** While being linked with CPI-increase rate for previous year, with the threshold of 1.5%
***** Management cost Triple Net: Tenant bears maintenance costs, insurance premiums, and taxes and public imposts

SK REIT and SK Inc. entered into a lease agreement for SK Seorin Building as leased premises on June 30, 2021. The lease term is agreed upon for SK to rent for five years (+5 years) as the long-term master tenant, and SK REIT will have increased income even during the periods of inflation due to the rent linked with the CPI-increase rate for Gyeonggi-do for the prior year as well as the Triple-Net structure in which all management costs are borne by the tenant, resulting in low cost variability.

SK Seorin Building has been used as the integrated company building for SK Inc. since its completion date in 1999. SK has maintained a top-quality smart company building through extensive renovations that commenced in 2018 under the long-term management plan for SK Seorin Building. SK REIT plans to continuously enhance its asset value through stable asset management and by maintaining long-term cooperative relationships with tenants following acquisition.



PORTFOLIO

SK SEORIN BUILDING | SK U-TOWER | SK ENERGY GAS STATION

SK U-Tower

Exercising the right of first offer in March 2022 for SK U-Tower, the Bundang company building of SK Hynix, SK REIT completed this asset acquisition on June 30 after finalizing the major terms, such as the sales agreement, lease agreement, etc., through its board of directors. SK U-Tower is a large office-building asset located in the Bundang/Pangyo region, which is rapidly growing and is comparable to Seoul's office districts. In particular, SK U-Tower boasts its advantage of outstanding transportation convenience, located just two minutes' walking distance from Jeongja Station, a transfer station for the Bundang Suin Line and New Sinbundang Line within Jeongja District, which houses multiple Korean conglomerate buildings, such as Doosan Tower, Naver Building No.2, Hyundai Heavy Industries R&D Building, etc.

As such, the Bundang (Pangyo) Business District is predicted to stabilize its status due to the expansion of business districts and multiple urban-development projects scheduled. The asset value here is expected to further rise with the 2nd and the 3rd developments of Pangyo Techno Valley, to be newly supplied in 2022, along with the opening of the GTX-A Line and the extension of Subway Line 8.

SK U-Tower is used as the company building for SK Group affiliates, such as SK Hynix, with SK Hynix acting as the blue-chip tenant providing high tenant stability and scarcity at the same time, thereby being predicted to further enhance the property value.

Location
25-1 Jeongja-dong, Bundang-gu, Seongnam-si

Use approval date
June 27, 2005

Service area
Central commercial area, district-unit planning zone, venture-company-promotion organizations

Main use
Business facility / condominium building

Land area
9,967㎡ (3,015 py)

Total floor area
86,803㎡ (26,258 py)

Exclusive use ratio
55.49%

Size
B6 / 28F

Master tenant
SK Hynix ((NICE Investors Service AA, June 29, 2021)

Purchase price
KRW 507.2 billion (June 30, 2022)

Estimated value of real estate
KRW 507.2 billion (March 24, 2022, Mirae & Saehan Appraisal)

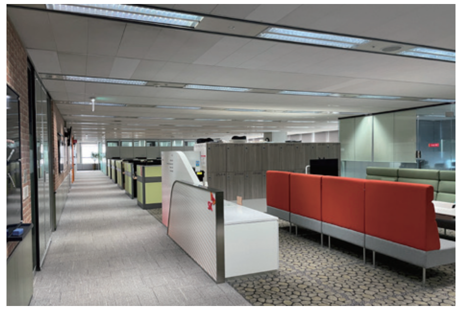
Lease Status

Subject Asset **U-Tower**	Rental Rate* **4.10%**
Tenant** **SK Hynix**	Lease Term*** **5years**
Rent **Approximately KRW 20.8billion per year**	Rent Increase Rate**** **Linked with CPI-increase rate for Seoul for previous year**
Lease Deposit **10-months' monthly rent**	Management Cost Payment***** **Triple Net**

* Rental rate = Annual predicted rent/Sale price
** 100% Master Lease
*** Extension available upon tenant's request (+5 years)
**** While being linked with CPI-increase rate for previous year, with the threshold of 1.5% and cap of 5.0%
***** Management cost Triple Net: Tenant bears maintenance costs, insurance premiums, and taxes and public imposts

SK REIT and SK Inc. entered into a lease agreement for SK U-Tower as leased premises on June 9, 2022. The lease term is agreed upon for SK to rent the space for five years, with an additional option of a five-year extension as a long-term master tenant, and SK REIT will have increased income even during periods of inflation due to the rent linked with the CPI-increase rate for Gyeonggi-do for the prior year, as well as the Triple-Net structure in which all management costs are borne by the tenant, resulting in low cost variability.

SK U-Tower is used as the company building for SK Group affiliates, such as SK Hynix, with SK Hynix acting as the blue-chip tenant with high tenant stability and scarcity at the same time, which promotes additional enhancement of asset value.



PORTFOLIO

SK SEORIN BUILDING | SK U-TOWER | SK ENERGY GAS STATION

SK Energy Gas Station

SK Energy has 116 leased gas stations as No.1 in the Korean oil-refining industry, holding the status as the master tenant regarding the entirety of the gas station areas for 10 years. These gas station assets have a locational characteristic of being in places with high floating populations and convenient transportation. In particular, with their excellent accessibility, creation of new additional value is expected through businesses like rest-area restaurants, minor maintenance services, car-wash services, etc., in addition to the gas stations as well as their remaining spaces used for parcel services, logistics services, etc. As such, these gas station assets consist of assets with high usability of land in addition to high tenant stability.

Clean Energy REIT, wholly controlled by SK REIT, acquired 116 gas station assets on July 6 and November 25, 2021, for a total of KRW 766.4 billion. According to the next value-estimation appraisal consultation performed by Kyungil Appraisal Corporation on June 30, 2022, the asset value was KRW 835 billion, increasing approximately 8.9% from the acquisition price in July 2021, indicating a consistent rise in value.

Approximately 95% of the gas station asset value consists of land. For the past five years, the land value represented by the 116 gas stations (in 2021) increased by 5.7% on average compared to the calculation back in 2017. As such, a consistent rise is expected in respect to the gas station asset values, with the high possibility of various uses, along with rising land value due to the high land ratio.

Number of assets
116 (only land and buildings/does not include lubricators, plumbing, or tanks)

Region distribution
16 in Seoul, 10 in Incheon, 30 in Gyeonggi-do, 28 in provincial metropolitan cities, 32 in other regions

Service area
27 commercial zones, 18 residential zones, 18 industrial zones, 53 others

Land area
170,942㎡ (51,710 py)

Average land area
1,474㎡ (446 py)

Land-to-building ratio
95:5 (based on book value)

Increase-rate for land value
Average 5.7% for five years (as of 2021 to 2017)

Master tenant
SK Energy (NICE Investors Service AA, Mar. 24, 2021)

Purchase price
KRW 766.4 billion (July 7, 2021, Nov. 25, 2021)

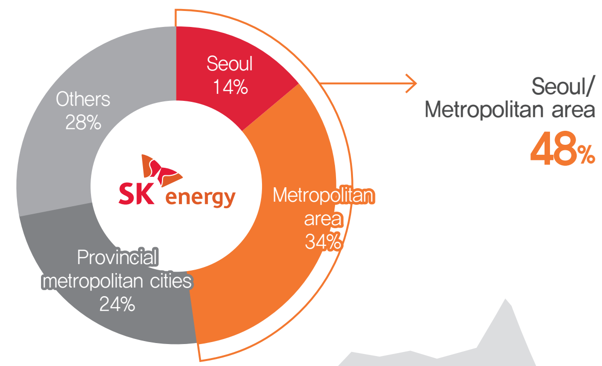
Estimated value of real estate
KRW 835.7 billion (June 30, 2022, Kyungil Appraisal Corporation)

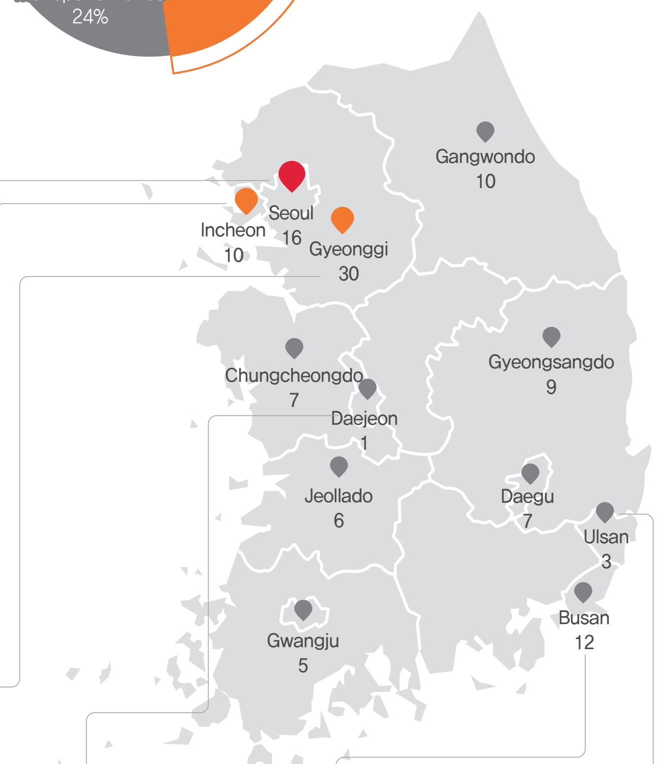

Bakseok Gogae Gas Station, Seoul


Sky Park, Incheon

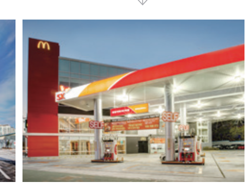

Bishan Gas Station, Gyeonggi

Distribution of SK Energy Gas Stations (116)






Seogok Gas Station, Jeonju


Hyeongje Gas Station, Busan


Daldongmac Gas Station, Ulsan

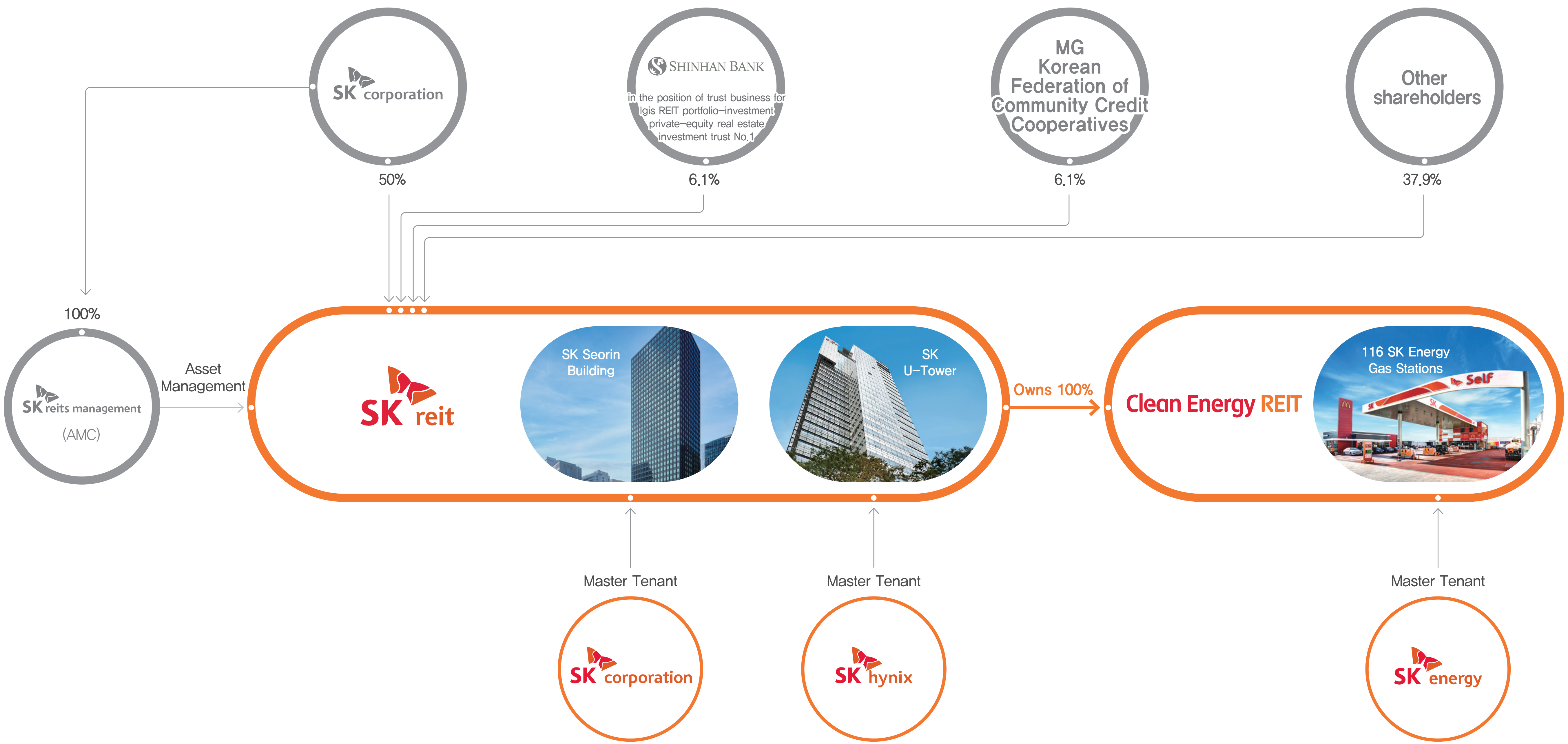
Lease Status

Subject Asset **116 Gas Stations Nationwide**	Rental Rate* **4.2%**
Tenant** **SK Energy**	Lease Term*** **10years**
Rent **KRW 32.2 billion annually**	Rent Increase Rate**** One to five years: **Rental fixed** At least six years: **Linked with nationwide CPI-increase rate for previous year**
Lease Deposit **10-month payment of monthly rent**	Management Cost Payment***** **Triple Net**

* Rental rate = Annual predicted rent/Sale price
** 100% Master Lease
*** Extension available upon tenant's request (+5 years)
**** While being linked with CPI-increase rate for previous year, with the threshold of 1.5% and cap of 5.0%
***** Management cost Triple Net: Tenant bears maintenance costs, insurance premiums, and taxes and public imposts

According to the lease agreement, which is a long-term master-tenant lease agreement for the 10-year lease term (with a five-year extension option), whereby all of the 116 gas stations are leased premises, rental income would be earned in a stable manner due to the rent linked with the nationwide CPI for the beginning of the 6th anniversary , and the lease agreement is characterized by low cost variability due to the Triple-Net structure in which any and all management costs are borne by the tenants. Moreover, as all expenses and liability regarding potential environmental pollution caused by the gas station activities are burdened by SK Energy, as specified in the master-tenant lease agreement, the risks, expenses, and liability assumed by SK REIT due to land pollution, etc., have been minimized.

INVESTMENT STRUCTURE

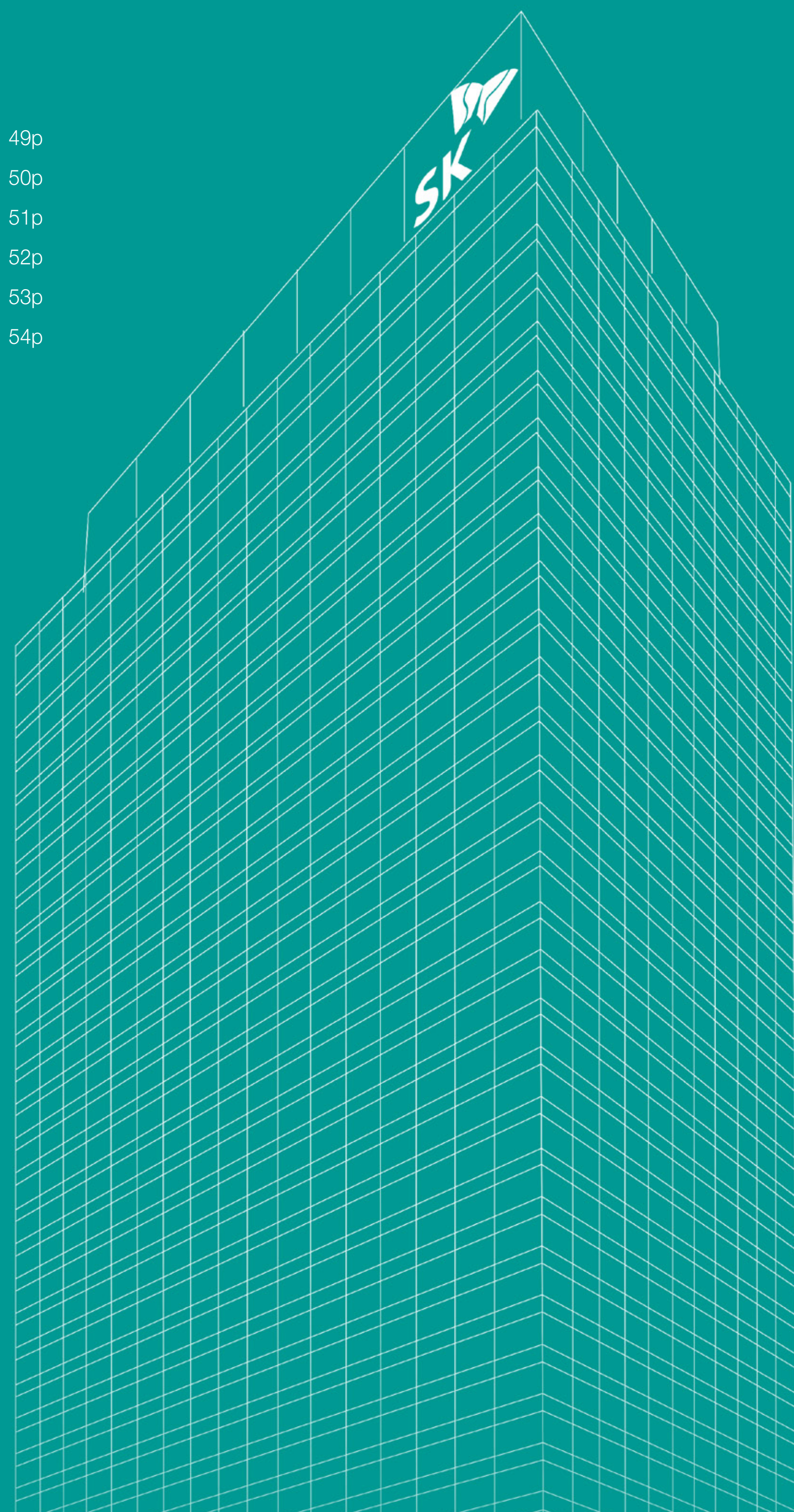


FINANCIAL SECTION

SK REIT Co., Ltd. and its Subsidiaries

Consolidated Financial Statements

March 31, 2022



SK REIT CO., LTD AND SUBSIDIARIES
Consolidated Financial Statements

As of March 31, 2022

NOTICE TO READERS

The financial statements in this report include the statement of financial position as of March 31, 22, the statement of comprehensive income for the period from March 15, 21 to March 31, 22, the statement of changes in equity and the statement of cash flows, and the statement of significant accounting policies. It consists of notes to the financial statements.

As a corporation with a business year of 3 months, this corporation has been audited by Deloitte for the financial statements of the 1st and 2nd fiscal years, and has been audited by KPMG for the 3rd and 4th business years. Among the financial statements, the statement of comprehensive income, statement of changes in equity, and statement of cash flow, etc. are the aggregated financial statements of the audited financial statements.

Certain subsequent events or circumstances, which may occur between the report date and the time of regarding this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the report should understand that the above report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK REIT CO., LTD AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of March 31, 2022

(In Korean won)

	Notes		March 31, 2022
Assets			
Current Assets		₩	**25,224,394,943**
Cash and cash equivalents	4, 5, 6, 7		12,983,945,200
Short-term finance instruments	4, 5, 6, 8		11,000,000,000
Other current financial asset	5, 6, 9, 28		888,711,127
Other current asset	10		351,738,616
Non-current Assets			**1,857,973,612,646**
Investment properties	12, 13, 14, 17		1,857,973,612,646
Total assets		₩	**1,883,198,007,589**
Liabilities			
Current liabilities		₩	**3,948,014,927**
Other current financial liabilities	4, 5, 6, 15, 28		1,117,773,455
Other current liabilities	16		2,830,241,472
Non-current liabilities			**1,104,383,183,299**
Long-term borrowing	4, 5, 6, 13, 14, 17		1,046,037,186,400
Leasehold deposits received	4, 5, 6, 13, 18, 27		52,147,953,917
Other non-current liabilities	16		6,198,042,982
Total liabilities		₩	**1,108,331,198,226**
Equity			
Share Capital	19	₩	77,510,266,000
Other paid-in capital	20		687,262,384,420
Retained earnings	21		10,094,158,943
Total equity			**774,866,809,363**
Total liabilities and equity		₩	**1,883,198,007,589**

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
As of March 31, 2022

(In Korean won)

	Notes		March 31, 2022
Operating revenues	12, 24, 28	₩	**54,255,230,852**
Operating expenses	12, 25, 28		**10,223,532,491**
Operating income			**44,031,698,361**
Financial income	6, 26		**(19,878,245,673)**
Financial revenues			69,651,680
Financial expense			19,947,897,353
Other income	27		**35,769,475**
Other revenues			35,769,497
Other expense			22
Profit before income tax expense			**24,189,222,163**
Income tax expenses	22		**–**
Net income		₩	**24,189,222,163**
Other comprehensive income			**–**
Net comprehensive income		₩	**24,189,222,163**
Earnings per share			
Basic and diluted earnings per share	23		237

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
As of March 31, 2022

(In Korean won)

	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)	Total equity
Balance as of March 15, 2021	₩ –	₩ –	₩ –	₩ –
Total comprehensive income :				
Net income	–	–	24,189,222,163	24,189,222,163
Transactions with owners:				
Paid in capital increase	77,510,266,000	692,408,708,390	–	769,918,974,390
Dividends	–	–	(19,121,295,190)	(19,121,295,190)
Capital surplus from earnings	–	(4,413,872,968)	4,413,872,968	–
Other capital surplus to retained earnings	–	(612,359,002)	612,359,002	–
Others	–	(120,092,000)	–	(120,092,000)
Balance as of March 31, 2022	**₩ 77,510,266,000**	**687,994,835,422**	**10,094,158,943**	**774,866,809,363**

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD AND SUBSIDIARIES
Consolidated Statements of Cash Flows
As of March 31, 2022

(In Korean won)

Assets	Notes	March 31, 2022
Cash flows from operating activities:		**₩ 93,214,634,658**
Cash provided by operating activities	29	110,463,141,229
Interest income received		60,970,165
Interest expense paid		(17,300,608,646)
Income taxes paid		(8,868,090)
Cash flows from investing activities:		**(1,875,096,876,658)**
Cash inflows from investing activities		–
Cash outflows for investing activities		(1,875,096,876,658)
Acquisitions of subsidiaries		17,706
Acquisitions of investment property(land)		1,545,010,200,319
Acquisitions of investment property(building)		319,086,658,633
Acquisitions of short-term financing assets		11,000,000,000
Cash flows from financing activities:		**1,794,866,187,200**
Cash inflows from financing activities		2,073,286,174,390
Increase of short term borrowings		259,178,600,000
Increase of long term borrowings		1,044,188,600,000
Paid in capital increase		769,918,974,390
Cash outflows for financing activities		(278,419,987,190)
Decrease of short term borrowings		259,178,600,000
Dividends paid		19,121,295,190
Others	21	120,092,000
Net increase in cash and cash equivalents		**12,983,945,200**
Cash and cash equivalents, beginning of year		–
Cash and cash equivalents at the end of the year		**₩ 12,983,945,200**

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

1. THE GROUP

The consolidated financial statements of SK REIT Co., Ltd. ("Controlling company") and its subsidiaries (collectively referred to as "the Group") have been prepared in accordance K-IFRS 1110, 'Consolidated financial statements'.

The Controlling company was established on March 15, 2021 under the Real Estate Investment Companies Act of the Republic of Korea. The Controlling company is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement, disposal, development, and trade of real estate lease securities. The Controlling company's head office has located in 136, Sejong-daero, Jung-gu, Seoul, Korea, and listed to KRX KOSPI Market on September 14, 2021.

The Controlling company's major shareholders and their respective shareholdings as at March 31, 2022, are as follows:

Name of Shareholders	Number of shares	Types of shares	Percentage of ownership(%)
SK Inc.	77,510,266	Ordinary shares	50.00
Shinhan Bank (Trustee of IGIS REIT Portfolio Specialized Investment Type Private Real Estate Investment Trust No.1 Co., Ltd)	9,400,000	Ordinary shares	6.06
Korean Federation of Community Credit Cooperatives	9,400,000	Ordinary shares	6.06
Others	58,710,266	Ordinary shares	37.88
Total	**155,020,532**		**100.00**

(1) Consolidated subsidiaries and current status

The group is engaged in real estate leasing. Meanwhile, the status of subsidiaries included in the consolidated financial statements as of March 31, 2022, is as follows.

Subsidiaries	Main business	Country of domicile	Ownership (%)	Reporting month
Clean Energy REIT Co., Ltd	Investing real estate	Korea	100.00	March, June, September and December

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed under article 5 paragraph 1 item 1 of the Act on External Audit of Stock Companies. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for the new and amended IFRS standards adopted by the Group and the following paragraphs below.

Consolidated financial statements are prepared on the basis of historical cost, except for certain non-current assets and financial assets measured at the revalued amount or at fair value at the end of each reporting period as explained in the accounting policy below. Historical costs are generally measured at the fair value of consideration received to acquire an asset.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116 'Leases; and measurements' that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

Management has a reasonable expectation that at the time of approval of the financial statements, the Group will have sufficient resources to survive as a going concern for the foreseeable future period. Therefore, the management prepared the financial statements on the premise of the going concern.

1) Accounting standards and interpretations that have been newly applied for the period ended March 31, 2022, and have no important impact on financial statements are as follows:

- K-IFRS 1103 'Business Combinations' (Amendment)

The amendment updates K-IFRS 1103 so that it refers to the latest version of the Conceptual Framework (2018) instead of the previous version of the Framework (2007). K-IFRS 1103 is updated to require, for obligations within the scope of K-IFRS 1037, an acquirer to apply K-IFRS 1037 to determine whether a present obligation exists on the acquisition date as a result of past events. As for a levy that lies within the scope of K-IFRS 2121 Levies, the acquirer should apply K-IFRS 2121 to determine whether an obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendment also adds an explicit statement that an acquirer share not recognize contingent assets acquired in a business combination.

- K-IFRS 1016 'Property, Plant and Equipment' (Amendment)

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The amendment prohibits deducting from the cost of an item of property, plant and equipment produced before available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendment also clarifies the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies assessing whether the technical and physical performance of an asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income as items produced are not outputs of the entity's ordinary activities, the Group should disclose the accounts where such proceeds and cost are included.

The amendments are applied retrospectively, but only to the items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- K-IFRS 1037 'Onerous Contracts—Cost of Fulfilling a Contract' (Amendment)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g., direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g., allocation of the depreciation of property, plant and equipment used in fulfilling the contract).

The amendment applies to contracts that include any kinds of obligations the entity has not yet fulfilled at the beginning of the reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

-Annual Improvements to K-IFRS Standards 2018-2020 Cycle

The Annual Improvements include amendments to K-IFRS 1101 First-time Adoption, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 'First-time Adoption'
The amendments provide additional exemptions regarding the accounting for cumulative translation differences in subsidiaries that become first-time adopters after the controlling company. A subsidiary applying the exemption in paragraph D16(1) of K-IFRS 1101 may choose to measure the cumulative conversion difference between all foreign operations at the carrying amount included in the parent's consolidated financial statements on the basis of the parent's transition date. However, this excludes the effectiveness of business combinations in which a parent acquires a subsidiary and adjustments to the consolidation procedures. A similar choice may be made if an associate or joint venture applies the exemption in paragraph D16(1) of K-IFRS 1101.

② K-IFRS 1109 'Financial Instruments'
The amendment clarifies that when applying the '10%' test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment is applied prospectively to changes and exchanges that occurred after the date of initial application.

③ K-IFRS 1116 'Leases'
The amendment removes the details of the lease improvement reimbursement illustration in Example 13 of IFRS 16. The amendment is only relevant to the illustrative example.

2) The followings are new and revised K-IFRS Standards that have been issued but are neither effective nor early adopted by the Group. These standards do not have significant effect on the Group's financial statements.

- K-IFRS 1001 'Classification of Liabilities as Current or Non-current' (Amendment)

The amendment to K-IFRS 1001 affects only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendment clarifies that the classification of liabilities as current or non-current is based on the rights that exist at the end of the reporting period and emphasizes that classification is unaffected by the expectations of the entity to exercise the delay of settlement. It also explains that the rights exist when the borrowing commitment is complied and defines 'settlement' to make clear that settlement refers to extinguishment of a liability through a transfer of cash, equity instruments, other assets or services to the counterparty.

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

- K-IFRS 1001 'Accounting Policy Disclosure' (Amendment)
The amendment does not affect the amount of assets, liabilities and gains or losses, time of recognition, or disclosure of these items. This amendment amended IAS 2 Accounting Policy Disclosure to define and disclose important accounting policies and to provide guidance on how to apply the concept of materiality.

The amendments apply for annual periods beginning on or after 1 January 2023. Early application is permitted.

- K-IFRS 1008 Definition of Changes in Accounting Estimates (Amendment)
The amendment does not affect the amount of assets, liabilities and gains or losses, time of recognition, or disclosure of these items. The amendment clarifies the method to define accounting estimates and to differentiate changes in accounting estimates from changes in accounting policies.

The amendments apply for annual periods beginning on or after 1 January 2023. Early application is permitted.

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(2) Consolidated accounting standards

The Group prepares consolidated financial statements by consolidating the financial statements of the Controlling company and other entities controlled by the Controlling company (or its subsidiaries).

The Group determines that control exists when all three factors are satisfied: 1) power over an investee, 2) exposure or rights to fluctuating profits due to involvement in the investee and 3) the ability to use its power against an investee to affect the investor's profit. In addition, if there are facts and circumstances that indicate that there is a change in one or more of the three elements of control, the entity reassesses whether it controls the investee.

Even if the Group holds less than a majority of the voting rights of the investee, it is determined that the Group has power over the investee if it has enough voting rights to have the practical ability to unilaterally direct the relevant activities of the investee. When assessing whether the voting rights held by the Group are sufficient to grant the power over the investee, all relevant facts and circumstances, including the following, are considered:

· The relative size of voting rights and the degree of share dispersion of shareholders
· Potential voting rights held by the Group, other voting rights holders or other parties
· Rights arising from contractual arrangements
· Additional facts and circumstances that indicate whether the Group has the current ability to direct the relevant activities at the time the decision is to be made, including voting patterns at past shareholders' meetings

The consolidation of subsidiaries begins when the Controlling company acquires control of the subsidiary and ceases when the Controlling company loses control of the subsidiary. In particular, the revenues and expenses related to subsidiaries acquired or disposed during the period are included in the consolidated statements of comprehensive income from the date when the acquisition is virtually completed or until the date when the disposal is substantially completed. The components of net profit and loss and other comprehensive income are attributed to the owners of the parent and the non-controlling interests, and total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if the non-controlling interests have a negative balance.

If an entity that comprises the Group uses a different accounting policy from the one adopted in the consolidated financial statements for the same transactions or events that occurred in similar circumstances, the consolidated financial statements are prepared by amending the financial statements of that entity.

All intragroup transactions, related assets and liabilities, income and expenses are eliminated in the preparation of consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. If the element of a non-controlling interest in the acquiree at the acquisition date is its current interest and entitles the holder to a proportionate share of the entity's net assets at liquidation, such non-controlling interest can be measured either at fair value or by a proportionate share of the equity instruments currently recognized for the acquiree's identifiable net assets at the acquisition date. The choice of these metrics is made for each acquisition transaction. All other non-controlling interests are measured at their fair value at the acquisition date. The carrying amount of the non-controlling interest after the acquisition is the amount initially recognized and reflects the proportionate interest of the non-controlling interest in the changes in equity since the acquisition. Total comprehensive income is attributable to non-controlling interests even if the non-controlling interests have negative balances.

Changes in ownership interests in subsidiaries that do not lose control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interests of the Group is adjusted to reflect the relative changes in interest in the subsidiaries. The difference between the adjustment amount of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

If the controlling company loses control of the subsidiary, it accounts for the difference between (i) the consideration received and the fair value of the equity interests held and (ii) the subsidiary's assets (including goodwill) and liabilities and the carrying amount of the non-controlling interests in disposal profit or loss. The Group accounts for the amounts previously recognized in other comprehensive income in relation to its subsidiaries on the same basis as if the related assets or liabilities were directly disposed of (i.e., reclassified to profit or loss or replaced directly with retained earnings).The fair value of an investment in a subsidiary before the date of loss of control is regarded as the fair value at initial recognition of a financial asset in accordance with K-IFRS 1109 'Financial Instruments' or, where appropriate, as cost at initial recognition of an investment in an associate or a joint venture.

(3) Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 Share-Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's PHI in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement–period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's PHIs in the acquired entity are remeasured to its acquisition–date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognized in other comprehensive income are reclassified to profit or loss by the method that would be appropriate if those interests were disposed.

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

(4) Cash and cash equivalents

Cash and cash equivalents include cash held, bank deposits, and other highly liquid short–term investments that are due within three months as of the acquisition date.

(5) Revenue recognition

The Group, a real estate investment company under the Real Estate Investment Company Act, recognizes the lease income from the provision of operating lease for investment property systematically reflecting the utility elimination by using property over the lease period. Therefore, it is not within the scope of IFRS 15 Revenue from Contracts with Customers.

(6) Lease

The Group classifies each lease as either an operating lease or a financial lease. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as financial leases, and leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as operating leases.

If the Group is an intermediate lessor, the Group accounts for the head lease and the sublease as two separate contracts. The Group classifies all subleases as financial leases or operating leases by reference to the right–to–use assets arising from the head leases, rather than by reference to the underlying assets.

The Group recognizes the lease payment from the operating lease as income on either a straight line basis or other systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefits from the use of the underlying asset is diminished. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term.

In case of a financial lease, the amount to receive from the lessee is recognized as a receivable as a net investment in the lease of the Group. The Group allocates financial income over the lease term, based on a pattern reflecting a constant periodic rate of return on The Group's net investment in the lease.

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After initial recognition, the Group reviews regularly estimated unguaranteed residual value and applies the derecognition and impairment requirements in IFRS 9 to recognize the expected credit losses on lease receivables as a loss allowance.

Financial lease income is calculated by referring to the total carrying amount of the lease receivable. However, in case of financial lease receivable with damaged credit, financial income is calculated by referring to the amortized cost (i.e., the amount after deducting the loss allowance).

If a contract contains lease or non–lease components, The Group applies IFRS 15 to allocate the consideration in the contract to each component.

(7) Foreign currency conversion

Consolidated financial statements are represented in the currency (functional currency) of the principal economic environment in which the entity operates. In order to prepare consolidated financial statements, companies' management performance and financial status are expressed in 'won', which is the functional currency of the consolidated entity and the presentation currency for preparing consolidated financial statements.

In preparing consolidated financial statements, transactions made in currency (foreign currency) other than the functional currency of the company are recorded at the exchange rate of the transaction date. Monetary foreign currency items as of the end of the current term are being converted into exchange rates as of the end of the current term. On the other hand, non–monetary foreign currency items measured at fair value are converted to the exchange rate at the date the fair value is determined, but non–monetary foreign currency items measured at historical costs are not converted again.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until they are substantially ready for their intended use or sale.

To the extent that variable–rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed–rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate."

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(9) Investment properties

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

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Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. The portion substituted by subsequent expenses is removed. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 30 to 40 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from even the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(10) Income tax and deferred tax

Income tax expense for the period consists of current and deferred tax. It is recognized directly in other comprehensive income or other equity items if related to themselves. Except for these items, it is recognized in profit of loss.

Corporate tax expenses are measured based on tax laws enacted or substantially enacted as of the end of reporting period.

The management periodically evaluates the tax policy applied by the Group when reporting tax in situations where applicable tax law regulations may vary depending on interpretation. The Group recognizes current corporate tax expenses based on the amount expected to be paid to the tax authorities.
Deferred tax is recognized as the expected corporate tax effect when recovering or settling the carrying amount for a temporary difference between the carrying amount and the tax base amount of assets and liabilities. Deferred tax assets and liabilities that arise when assets and liabilities are first recognized in transactions other than business combinations are not recognized unless the transaction affects accounting income or taxable income. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and The Group intend to settle current tax liabilities and assets on a net basis.

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group payouts 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

In addition, due to the uncertainty of future taxable income, deferred tax assets for temporary differences to be deducted in the future were not recorded as of March 31, 2022.

(11) Financial instruments

Financial assets and liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value upon initial recognition, excluding trade receivables that do not contain a significant financial component.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(12) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset are cash flows that are Solely Payment Principal and Interest on the outstanding ("SPPI").
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):
- The financial asset is held within a business model of which objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset are cash flows that are Solely Payment Principal and Interest on the outstanding ("SPPI").

Except for above, all other financial assets are measured subsequently at FVTPL.

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Despite the above, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met).
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2) Gains(losses) on foreign currency translation

The carrying amount of financial assets expressed in foreign currency is calculated in foreign currency and converted into a spot exchange rate at the end of the current period.

- For financial assets measured at amortized cost (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item.
- For debt instruments measured at fair value through other comprehensive income (excluding the portion designated as a hedging relationship), the difference in the exchange rate of amortized cost of the debt instrument is recognized in profit or loss in the 'other non-operating profit or loss' Because the foreign currency component recognized in profit or loss is the same as measured at amortized cost, the residual foreign currency component based on the translation of the carrying amount (fair value) is recognized in other comprehensive income in the cumulative valuation gain or loss item.
- For financial assets measured at fair value through profit or loss (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item as part of the gain or loss due to changes in fair value.
- For equity instruments measured at fair value through other comprehensive income, the accumulated valuation gain or loss item is recognized in other comprehensive income.

3) Impairment of financial assets

The Group recognizes a loss allowance for Expected Credit Losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit-loss experience, adjusted for

factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For financial assets other than this, lifetime expected credit losses are recognized if credit risk increases significantly after initial recognition. However, if the credit risk of a financial asset has not increased significantly since initial recognition, the Group measures the expected credit loss of the financial instrument at the equivalent of a 12-month expected credit loss.

Lifetime expected credit losses refer to expected credit losses resulting from all possible default events in the expected life of a financial instrument. Conversely, 12-month expected credit losses refer to some of the expected lifetime expected credit losses due to defaults on financial instruments that may occur within 12 months after the end of the current term.

4) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and

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the Group has transferred substantially all risks and rewards of ownership. If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the financial assets and liabilities for received considerations.

Upon derecognizing financial asset that is measured at amortized cost, the difference between the carrying amount of the asset and the sum of the consideration received or to be received is recognized in profit or loss. Upon derecognizing investment in debt instruments measured at fair value through other comprehensive income, the accumulated gains and losses previously recognized are reclassified to profit or loss. On the other hand, investments in equity instruments designated as fair value items through other comprehensive income at initial recognition do not reclassify the accumulated gains or losses previously recognized in profit or loss, but are replace with retained earnings.

(13) Financial liabilities and equity instruments

1) Classification as financial liabilities or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

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

5) Financial liabilities measured subsequently at amortized cost

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments

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(including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

6) Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the principles of IFRS 9 'Financial Instruments'
- the amount initial recognized less the cumulative amount of income recognized in accordance with the principles of IFRS 15 'Revenue from Contracts with Customers'

7) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, canceled or have been expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, are at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(14) Operating segment

Information for each operating segment is disclosed based on how it is reported internally to the chief operating decision maker (see note 31). The chief operating decision maker is responsible for assessing the resources to be allocated to the segment and for its performance, and the Group considers the board of directors that makes strategic decisions as the chief decision maker. The Group consists of a single operating segment of which main business purpose is the real estate rental business.

(15) Application of special provisions under the Real Estate Investment Companies Act: Exclusion of the obligation to reserve profit reserves and extra dividends

The Group does not reserve profit reserves because Article 458 of the Commercial Act, which stipulates the obligation to reserve profit reserves at the time of profit distribution, is excluded by the Real Estate Investment Company Act in effect as of the closing date. In addition, Article 462 of the Commercial Act is excluded under the Real Estate Investment Company Act, and dividends may exceed annual profits within the limit of depreciation expenses for the relevant year.

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3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group is estimating and assuming the future. Estimates and assumptions are continuously evaluated and taken into account future events that are reasonably predictable considering past experience and current circumstances. These accounting estimates may differ from the actual results. Estimates and assumptions of significant risks that may affect the adjustment of asset and liability carrying amounts in the next fiscal year are as follows:

(1) Corporate tax

Since corporate tax on taxable income of the consolidated entity is calculated by applying the tax law and the decision of the tax authorities, there is uncertainty in calculating the final tax effect.

(2) Fair value of investment properties

In order to estimate the fair value of investment properties, the Group uses a valuation technique that utilizes non-observable inputs.

4. FINANCIAL RISK MANAGEMENT

(1) Financial risk management factors

The Group's financial assets and liabilities are exposed to various risks including market risk(foreign exchange risk, price risk, and cash flow or fair value risk), credit risk and liquidity risk. The Group's financial risk management focuses on minimizing these risks that may have negative impact on financial performance.

Risk management is carried out by asset management companies in accordance with the risk management policy approved by the board of directors and identifies, evaluates, and avoids financial risks.

1) Market Risk
As the Group's interest-bearing assets are not material, the income and operating cash flows of the Group are substantially independent of the market interest rate. The risk of interest rate fluctuations for the Group mainly comes from its borrowings. However, the Group is not exposed to cash flow and fair value interest rate risk due to loans issued at fixed interest rates of KRW.

2) Credit Risk

The Group is exposed to credit risk when counterparties fail to pay the following amounts within their maturity;
- Payment of accounts receivable within 60 days from invoice issuance
- Contractual cash flows of debt instruments measured at amortized costs
- Contractual cash flows of debt instruments measured at fair values through other comprehensive income

On the other hand, separate disclosures were omitted in case that the carrying amount of financial assets exposed to Group's credit risk is most representative of the maximum exposure to credit risk.

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① Trade receivable and contract assets

The Group applies an expedient that recognizes lifetime expected credit losses as loss allowance for trade receivables and contracted assets. To measure the expected credit losses, trade receivables and contract assets were categorized based on their credit risk characteristics and overdue dates. Trade receivables and contract assets do not exist as of March 31, 2022. Accordingly, the loss allowance is not recognized.

② Other financial assets measured at amortized cost

Other financial assets measured at amortized cost are cash and cash equivalents and other receivables(non-trade receivables and interest receivable on financial instruments). The Group does not recognize any loss allowance for those other financial assets measured at amortized cost.

3) Liquidity Risk

Liquidity risk management includes the maintenance of sufficient cash and marketable securities, the financial capacity by appropriately agreed lines of credit and ability to settle market positions. Through active operating activities. The Group maintains its financial capacity flexibly within the Group's credit limit.

Details of financial liabilities classified by residual maturity as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022			
	With in 1 year	1 year ~ 5 years	Over 5 years	Total
Non-trade payables	₩ 1,117,773	₩ -	₩ -	₩ 1,117,773
Long-term borrowings (*1)(*2)	21,879,520	1,079,585,432	-	1,101,464,952
Leasehold deposits received (*2)	-	32,711,600	26,828,680	59,540,280
Total	**₩ 22,997,293**	**₩ 1,112,297,032**	**₩ 26,828,680**	**₩ 1,162,123,005**

(*1) The amount includes interest to be paid in the future.
(*2) The maturity amount under the remaining contract is the contractual cash flow that is not discounted.

(2) Capital risk management

The primary objective of the Group's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce capital costs.

The Group adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital. To maintain or modify capital structure, the Group manages dividends, returns the funds for shareholders, issues new shares and sells assets to reduce liabilities.

Like other companies within industry, the Group manages the capital using capital funding ratio, which is computed by dividing net borrowings by total capital. Net borrowings are subtraction of cash and cash equivalents and short-term financial instruments from total borrowings on financial statement. Total capital is the sum of equity in financial statement and net borrowings.

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Capital funding ratio as at March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022
Liabilities	₩ 1,046,037,186
Less: Cash and cash equivalence and short-term financial instruments	23,983,945
Net liabilities	1,022,053,241
Total equity	1,796,920,050
Debt-to-equity ratio	56.90%

5. FINANCIAL INSTRUMENTS FAIR VALUE:

The details of the fair value of financial instruments as of March 31, 2022, are as follows:

(1) Fair Value by Type of Financial Instrument

(In thousands of Korean won)

	March 31, 2022	
	Book value	Fair value
Financial assets		
Cash and cash equivalents (*1)	₩ 12,983,945	₩ 12,983,945
Short-term financial instruments (*1)	11,000,000	11,000,000
Other current financial assets (Accrued income) (*1)	888,711	888,711
Total	**₩ 24,872,656**	**₩ 24,872,656**
Financial liabilities		
Other accounts payables (*1)	₩ 1,117,773	₩ 1,117,773
Long-term borrowings (*1)	1,046,037,186	1,046,037,186
Leasehold deposits received (*1)	52,147,954	52,147,954
Total	**₩ 1,099,302,913**	**₩ 1,099,302,913**

(*1) The book value of a financial instrument is judged to be similar to its fair value.

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(2) Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value are categorized according to the fair value hierarchy and defined levels are as follows:

- The quoted price (unadjusted) in active markets for identical assets or liabilities that The Group can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Unobservable inputs for the asset or liability (Level 3)

As of March 31, 2022, the Group's financial instruments are cash and cash equivalents, other receivables, loans and rent deposits, which are excluded from the disclosure of the fair value hierarchy because their book values were estimated to be reasonable approximations of fair values.

(3) The Group recognizes transfers between levels at the time when the events or changes in circumstances that cause the transfers between levels.

6. FINANCIAL INSTRUMENTS:

The details of the financial instruments as of March 31, 2022 are as follows:

(1) Book value by Category of Financial Instruments

1) Financial Assets

(In thousands of Korean won)

	Financial assets at amortized cost	
	March 31, 2022	
Cash and cash equivalents	₩	12,983,945
Short-term financial instruments		11,000,000
Other current financial assets (Accrued income)		888,711
Total	**W**	**24,872,656**

2) Financial Liabilities

(In thousands of Korean won)

	Financial liabilities at amortized cost	
	March 31, 2022	
Other current liabilities(Accounts payables)	₩	1,117,773
Long-term borrowings		1,046,037,186
Leasehold deposits received		52,147,954
Total	**₩**	**1,099,302,913**

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(2) Net Income by Category of Financial Instruments

(In thousands of Korean won)

	March 31, 2022	
Financial assets measured at amortised cost		
Interest income	₩	45,904
Financial liabilities measured at amortised cost		
Interest expenses	₩	6,284,728

7. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of March 31, 2022, are as follows:

(In thousands of Korean won)

	Financial institution	March 31, 2022		Note
Cash and cash equivalents	Standard Chartered Bank Korea Ltd	₩	12,983,945	Pledge establishment(*)

(*) However, the deposit and withdrawal of the operating account among the accounts held by the group are allowed freely except in cases where profits of period are lost or restricted by a large number of lenders with their rational judgements.

8. SHORT-TERM FINANCIAL INSTRUMENTS:

Short-Term financial instruments as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022	
Time deposits	₩	11,000,000

9. OTHER FINANCIAL ASSETS:

Other financial assets as at March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022	
Accured income	₩	888,711

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10. OTHER ASSETS:

Other assets as at March 31, 2022, is as follows:

(In thousands of Korean won)

	March 31, 2022		
	Current		Non-current
Prepaid expenses		342,860	–
Advanced tax		8,879	–
Total	**₩**	**351,739**	**–**

11.SUBSIDIARIES:

(1) Details of the Group's investments in subsidiaries as of March 31, 2022, are as follows:

(In thousands of Korean won)

Company	Main business	Country	Ownership	Settlement month
Clean Energy REIT Co., Ltd	Real estate investment	Korea	100%	3, 6, 9, 12 Month

(2) Summary of financial position of the subsidiary as of March 31, 2022, is as follows:

(In thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd	
	March 31, 2022	
Current assets	₩	11,479,195
Non-current assets		807,210,602
Total assets	**₩**	**818,689,797**
Current liabilities	₩	1,759,000
Non-current liabilities		473,866,643
Total liabilities	**₩**	**475,625,643**
Shareholders equity	₩	343,064,154
Non-controlling equity		–
Total capital	**₩**	**343,064,154**

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

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(3) Summary of financial performance of the subsidiary as of March 31, 2022, is as follows:

(In thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd	
	March 31, 2022	
Sales	₩	24,233,291
Operating income		21,498,108
Net income		13,547,439
Other comprehensive income(loss)		–
Comprehensive income	₩	13,547,439

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

(4) Summary of financial cash flows of the subsidiary as of March 31, 2022, is as follows:

(In thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd	
	March 31, 2022	
Cash flows from operating activities	₩	43,017,748
Cash flows used in investing activities		(808,238,972)
Cash flows used in financing activities		775,991,036
Net (decrease) increase in cash and cash equivalents		10,769,812
Cash and cash equivalents, beginning of year		300,061
Cash and cash equivalents, end of year	₩	11,069,873

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the controlling company, but the amount before the internal transaction is removed.

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12. INVESTMENT PROPERTIES:

(1) The investment property of the group is evaluated in a cost model.

(2) Investment properties as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022					
	Acquisition cost		Accumulated depreciation		Net carrying value	
Land	₩	1,545,010,200	₩	–	₩	1,545,010,200
Buildings		319,086,659		(6,123,246)		312,963,413
Total	**₩**	**1,864,096,859**	**₩**	**(6,123,246)**	**₩**	**1,857,973,613**

(3) Changes in Investment properties as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022							
	Beginning balance		Acquisitions		Depreciation		Ending balance	
Land	₩	–	₩	1,545,010,200	₩	–	₩	1,545,010,200
Buildings		–		319,086,659		(6,123,246)		312,963,413
Total	**₩**	**–**	**₩**	**1,864,096,859**	**₩**	**(6,123,246)**	**₩**	**1,857,973,613**

(4) Revenues and expenses related to investment properties for the years ended March 31, 2022, is as follows:

(In thousands of Korean won)

	March 31, 2022	
Operating revenues (*1)	₩	54,255,231
Operating expenses (*2)		9,020,079

(*1) Operating revenues consist of rental income.
(*2) Operating expenses consist of depreciation expense, asset management consignment fees and asset custody consignment fees.

(5) Fair Value of Investment Properties

1) Among the investment properties, the fair value of investment properties as of March 31, 2022, of SK Seorin Building, which is provided for operating leases to SK Inc. are as follows:

(In thousands of Korean won)

	March 31, 2022		
	Book value		Fair value (*1)
Land	₩	779,333,004	781,292,000
Building		271,430,006	274,508,000
Total	**₩**	**1,050,763,010**	**1,055,800,000**

(*1) The fair value of the investment property was determined on the basis of an evaluation conducted by the Kyung-il Appraisal Corporation, an independent external entity with appropriate qualifications and experience in relation to the local property assessment. (Evaluation date: November 30, 2021)

2) Among the investment properties, the fair values as of March 31, 2022, at the gas stations provided for operating leases to SK Energy Co., Ltd. are as follows:

(In thousands of Korean won)

	March 31, 2022		
	Book value		Fair value (*1)
Land	₩	765,677,197	769,909,332
Building		41,533,406	44,081,992
Total	**₩**	**807,210,603**	**813,991,324**

(*1) The fair value of the investment property was determined on the basis of an evaluation conducted by the Kyung-il Appraisal Corporation, an independent external entity with appropriate qualifications and experience in relation to the local property assessment. (Evaluation base date: November 30, 2021)

(6) Operational lease Provision Details

1) Details of provision to SK Inc.

The Group enters into a contract with SK Inc. to provide operating leases for its investment real estate, and the depreciation expense of the operating lease assets are KRW 1,704,606 thousands and KRW 1,742,485 thousands, respectively, during the current and prior periods.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

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(In thousands of Korean won)

		March 31, 2022
Within 1 year	₩	39,695,527
1 year ~ 2 years		40,290,959
2 year ~ 3 years		40,895,324
3 year ~ 4 years		41,508,754
4 year ~ 5 years		10,415,670
Total	**₩**	**172,806,234**

In addition, the rental income recognized in relation to the operating lease during the current and prior years is as follows:

(In thousands of Korean won)

		March 31, 2022
Rental income	₩	28,218,954

2) Details of provision to SK Energy Co., Ltd

The Group has a contract with SK Energy Co., Ltd. to provide operating leases for its investment real estate, and the depreciation expense of the operating lease assets are KRW 349,823 thousands and KRW 352,399 thousands, respectively, during the current and prior periods.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

(In thousands of Korean won)

		March 31, 2022
Within 1 year	₩	32,194,416
1 year ~ 2 years		32,194,416
2 year ~ 3 years		32,194,416
3 year ~ 4 years		32,194,416
4 year ~ 5 years		32,435,874
Over 5 years		141,478,846
Total	**₩**	**302,692,384**

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In addition, the rental income recognized in relation to the operating lease during the current and prior years is as follows:

(In thousands of Korean won)

		March 31, 2022
Rental income	₩	16,590,423

(7) Fair Value Hierarchy of Investment Properties

The following is an analysis of non-financial assets of which fair value by valuation techniques is disclosed fair value. The fair value hierarchy is as follows:

(In thousands of Korean won)

	March 31, 2022					Total
	Level 1		Level 2	Level 3		
Investment properties	₩	–	–	₩	1,869,791,324	**1,869,791,324**

(8) Valuation Techniques and Input Variables

(In thousands of Korean won)

	March 31, 2022					
	Fair value		Level	Valuation technique	Unobservable input variable	Relationship between fair value and input variables
Investment properties	₩	1,869,791,324	3	(*1)	Price per square meter and operating income	(*2)

(*1) Income capitalization approach was applied to the contract of providing operating leases to SK Inc., and the cost approach and revision approach based on standard land price were applied to the contract of providing operating leases to SK Energy Co., Ltd.

(*2) If the price per square meter and operating revenue increase, the fair value also increases.

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13. COLLATERAL PROVISION STATUS:

The details of investment properties provided as collateral by the Group in relation to long-term borrowings as of March 31, 2022, are as follows:

(In thousands of Korean won)

	Provided assets	Set-up authority	Maximum amount of bonds	Carrying value	Related liabilities
Investment properties	Land/ buildings	Standard Chartered Bank Korea Ltd	₩ 295,320,000	₩ 246,100,000	Long-term borrowings
		SK Office OneQ No. 1	72,000,000	60,000,000	
		Clean Energy OneQ No. 1	72,000,000	60,000,000	
		S Tiger K Co., Ltd.	96,000,000	80,000,000	
		S Tiger Energy Co., Ltd.	48,000,000	40,000,000	
		Kookmin Bank	336,000,000	280,000,000	
		Sumitomo Mitsui Banking Corporation	162,960,000	135,800,000	
		Mizuho Bank Co Ltd.	180,000,000	150,000,000	
		SK Inc.	39,253,920	32,711,600	Leasehold deposits
		SK Energy Co. Ltd.	32,194,416	26,789,200	
Total			**₩ 1,333,728,336**	**₩ 1,111,400,800**	

(*) The value of land and buildings provided as collateral by the group is KRW 1,050,763,010,000 for Seorin Building and KRW 807,210,603,000 for many gas stations other than Gayang Gas Station.

14. INSURANCE SUBSCRIPTION STATUS:

(1) The details of insurance that the group subscribes to SK Seorin Building among investment real estate as of March 31, 2022, are as follows:

(In thousands of Korean won)

	Assets	Indemnity amount	Company
Comprehensive property risk	Buildings etc.	₩ 303,066,619	HYUNDAI MARINE & FIRE INSURANCE CO., LTD.
Risk of corporate suspension	N/A	₩ 103,389,000	
Risk of liability for compensation		10 million per accident, all personalities	

The right to receive insurance claim for the above insurance is subjected to pledge of which amount is KRW 722,160,000 thousands with the limit of which is indemnity amount at Standard Chartered Bank Korea Co., Ltd. in relation to long-term loans.

(2) The details of insurance that SK Energy Co., Ltd., the lessee of the group, has subscribed to the group as the insured as at March 31, 2022, are as follows:

(In thousands of Korean won)

	Assets	Supplementary amount	Company
Comprehensive property risk	Buildings etc.	₩ 117,108,730	HYUNDAI MARINE & FIRE INSURANCE CO., LTD.
Risk of corporate suspension	N/A	₩ 118,347,590	
Risk of liability for compensation		3,000,000 personalities per accident at a gas station	

The right to receive insurance money for the above insurance has a fundamental right of KRW 540,120,000 with the limit of the amount of supplementation at Standard Chartered Bank Korea Co., Ltd. in relation to long-term loans.

15. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022	
	Current	Non-current
Other Payables	₩ 1,117,773	–

16. OTHER LIABILITIES:

Other liabilities as of March 31, 2022, are as follows:

(In thousands of Korean won)

	March 31, 2022	
	Current	Non-current
Unearned revenues	₩ 1,138,972	6,198,043
Deposit received VAT	1,691,141	–
Deposits received	128	–
Total	**₩ 2,830,241**	**6,198,043**

17. LONG-TERM BORROWINGS:

Long-term borrowings as of March 31, 2022, are as follows:

(In thousands of Korean won)

	Financial institution	March 31, 2022	Annual interest rate(%)	Maturity date	Repayment method
Facility funds	Standard Chartered Bank Korea Ltd	₩ 246,100,000	2.08	24/7/5	Repayment at maturity
	SK Office OneQ No. 1	60,000,000			
	Clean Energy OneQ No. 1	60,000,000			
	S Tiger K Co., Ltd.	80,000,000			
	S Tiger Energy Co., Ltd.	40,000,000			
	Kookmin Bank	280,000,000			
	Sumitomo Mitsui Banking Corporation	135,800,000			
	Mizuho Bank Co Ltd.	150,000,000			
	Subtotal	1,051,900,000			
	Less: discount account on present value	(5,862,814)			
	Total	**₩ 1,046,037,186**			

Land and buildings of the Group are provided as collateral in relation to the above long-term borrowings (see note 13).

18. LEASEHOLD DEPOSITS RECEIVED:

Details of other leasehold deposits received as of March 31, 2022, is as follows:

(In thousands of Korean won)

		March 31, 2022
Nominal value	₩	59,540,280
Present value discounts account		(7,392,326)
Book value	**₩**	**52,147,954**

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19. CAPITAL STOCK:

(1) Details of capital stock as of March 31, 2022, is as follows:

	March 31, 2022
	Common stock
Authorized shares of capital stock	5,000,000,000 shares
Par value	500 KRW
Issued shares of common stock	155,020,532 shares
Capital stock:	77,510,266 thousand

20. OTHER PAID-IN-CAPITAL:

(1) Details of other paid-in capital as of March 31, 2022, is as follows:

(In thousands of Korean won)

		March 31, 2022
Paid-in capital in excess of par value	₩	687,262,384

(2) Details of changes in other paid-in capital for the years ended March 31, 2022, is as follows:

(In thousands of Korean won)

		March 31, 2022
Beginning balance	₩	-
Paid-in capital increase		692,408,708
Capital surplus from earnings		(4,413,873)
Other capital surplus from earnings		(612,359)
Others		(120,092)
Ending balance	**₩**	**687,262,384**

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21. DIVIDENDS:

Details of expected dividend payment as of March 31, 2022, is as follows:

(in Korean won, Shares)

	Common stock	
	March 31, 2022	
Total dividends	₩	30,202,996,156
Issued shares of common stock		155,020,532
Dividend per share		195
Par value		500
Dividends ratio		38.97%

22. INCOME TAXES EXPENSES:

Income tax expense is recorded at the amount calculated by adding or subtracting changes in deferred income tax for the current period to the sum of corporate tax to be borne in the current fiscal year and tax added to corporate tax in accordance with laws such as the Corporate Tax Act. However, in the case of dividends of 90/100 or more of the profit available for dividends as prescribed by the Presidential Decree, The Group can deduct such amount from the taxable income for the fiscal year, pursuant to Article 51-2 of the Corporate Tax Act, Income Deduction for Specialized Company, etc., and therefore did not recognized current tax expense, as there is practically no corporate tax to be borne by the Group.

23. EARNINGS PER SHARE:

Earnings per share for the years ended March 31, 2022, are as follows:

(1) Basic earnings per share of common stock

(in Korean won, Shares)

	March 31, 2022	
Net income	₩	24,189,222,163
Net income available for common shareholders		24,189,222,163
Weighted-average number of common shares outstanding (in shares)		102,157,899
Basic earning per common stock		236.78

(2) Calculation of weighted average number of common share outstanding

(in Korean won, Shares)

	March 31, 2022			
	Term	Number of shares in circulation	days	Accumulation
Beginning balance	2021.03.15~2022.03.31	600,000	382	229,200,000
Paid-in capital increase	2021.07.05~2022.03.31	100,000	270	27,000,000
Paid-in capital increase	2021.07.06~2022.03.31	107,810,266	269	29,000,961,554
Paid-in capital increase	2021.09.03~2022.03.31	46,510,266	210	9,767,155,860
Total				**39,024,317,414**
Weighted average number of common share outstanding				102,157,899

(3) Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share as the Company has no diluted securities.

24. OPERATING REVENUE:

Operating revenue for the periods ended March 31, 2022 is as follows:

(in thousands of Korean won)

	March 31, 2022	
Rental revenue	₩	54,255,231

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

25. OPERATING EXPENSES:

Operating expenses for the periods ended March 31, 2022 is as follows:

(in thousands of Korean won)

	March 31, 2022	
Salaries	₩	46,000
Insurance expenses		20,510
Depreciation		6,123,246
Asset management consignment fees		2,715,531
Asset custody consignment fees		26,481
General affairs consignment fees		161,655
PM fees		105,426
Real estate management consignment fees		49,394
Commission expenses		712,014
Taxes and due		270
Deemed rent		52,550
Advertising expenses		210,455
Total	**₩**	**10,223,532**

26. FINANCE INCOME AND EXPENSES:

Details of finance income and expenses as of March 31, 2022, is as follows:

(in thousands of Korean won)

		March 31, 2022	
Finance income	Interest revenue	₩	69,652
Finance expenses	Interest expenses		(19,947,897)
Total		**₩**	**(19,878,245)**

27. OTHER INCOME AND EXPENSES:

Details of other income and expenses as of March 31, 2022, is as follows:

(in thousands of Korean won)

		March 31, 2022	
Other income	Miscellaneous revenues	₩	35,769
Other Expenses	Miscellaneous losses		–
Total		**₩**	**35,769**

28. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of March 31, 2022, are as follows:

(in thousands of Korean won)

Type	Name of the related parties
Controlling company	SK Inc.
Others	SK REITs Management Co., Ltd.
Large business group affiliates	SK Energy Co. Ltd., SK Networks Company Limited etc. and SK business group affiliates

(2) Significant transactions between the Company and related parties for the years ended March 31, 2022, are as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings	March 31, 2022	
Controlling company	SK Inc.	Operating revenues(*1)	₩	29,541,999
		Commission expenses		7,075
Others	SK REITs Management Co., Ltd.	Asset management consignment fees		2,715,531
Large business group affiliates	SK Energy Co. Ltd.	Operating revenues(*2)		23,859,218
		Investment properties(purchase)		764,858,372
	SK Networks Company Limited	Investment properties(purchase)		1,582,374

(*1) KRW 159,981 thousand reflected in the operating income of the unearned income has been excluded.
(*2) KRW 124,855 thousand reflected in the operating income of the unearned income has been excluded.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

(3) Outstanding balances to related parties as of March 31, 2022, is as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings	March 31, 2022
Controlling company	SK Inc.	Leasehold deposits received(*1)	₩ 32,711,600
		Accrued income	629,166
		Accounts payable	7,075
Others	SK REITs Management Co., Ltd.	Accounts payable	1,001,400
Large business group affiliates	SK Energy Co. Ltd.	leasehold deposits received(*2)	26,828,680
		Accrued income	250,857

(*1) It is a nominal value that does not reflect the current value discount of KRW 2,740,411 thousand.
(*2) It is a nominal value that does not reflect the current value discount of KRW 4,651,915 thousand.

(4) Capital transactions between the Company and related parties for the years ended March 31, 2022, are as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings		March 31, 2022
Parent company	SK Inc.	capital transaction	Paid in capital increase	₩ 387,551,330

(5) Key management personnel compensation for the years ended March 31, 2022, are as follows:

(in thousands of Korean won)

Type	March 31, 2022
Key management personnel compensation	₩ 46,000

(6) Dividends paid to related parties for the quarters ended March 31, 2022, are as follows:

(in thousands of Korean won)

Type	Name of the related party	March 31, 2022
Parent company	SK Inc.	₩ 9,560,608

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

29. COMMITMENTS:

(1) Asset management contract

1) Contract to provide operating lease to SK Inc.

The Group entered into a contract with SK REITs Management Co., Ltd. for investment management of assets, such as real estate acquisition, management, improvement and disposal, real estate development, leasing and security trading, and pays the following asset management fees.

Type	Detail
Purchase fee	Purchase price X 0.5%(VAT not included)
Asset management fees	Purchase price X 0.2%/365(366 days in leap years) * days(Number of days of holding operating assets)
Asset management performance fee	(Dividend before commission – dividend before highest commission) * (average number of issued shares per day) * 25%
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposition price – Purchase price – Disposal fee) * 10% – Accumulated amount of asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of asset management performance fee

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group entered into a contract with SK REITs Management Co., Ltd. for investment management of assets such as real estate acquisition, management, improvement and disposal, real estate development, leasing and securities trading, and paying the following asset management fees.

Type	Detail
Purchase fee	Purchase price X 0.5% (VAT not included)
Management fees	Purchase price X 0.22%/365(366 days for leap year) * Days (number of days of holding the operating asset)
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposition price – Purchase price – Disposal fee) * 10% – Accumulated amount of "Moritz" asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of "Moritz" asset management performance fee

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

(2) General affairs consignment contract

1) Contract to provide operating lease to SK Co., Ltd.

The Group has entered into a general business consignment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing-related business, and management of the Group, and is paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	KRW 50 million (VAT not included) for each closing period

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a general business entrustment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing-related business, and management of the Group, with paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	KRW 15 million for each closing period (VAT not included)

(3) Asset trust contract

1) Contract to provide operating lease to SK Co., Ltd.

The Group has entered into contracts with Daehan Real Estate Investment Trust Co., Ltd. and SK Securities Co., Ltd. for storage and management of assets such as real estate, securities and cash, and is paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: 1.25 million won for each closing period (VAT not included) Securities, cash: 5 million won per closing period (VAT not included)

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a contract with Daehan Real Estate Investment Trust Co., Ltd. and SK Securities Co., Ltd. for storage and management of assets such as real estate, securities and cash, and is paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: 1.25 million won for each closing period (VAT not included) Securities, cash: 1.5 million won for each closing period (VAT not included)

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

(4) Negotiating rights for preferential purchase

The Group has the right to negotiate preferential purchase of real estate owned by SK Telecom Co., Ltd., and the details are as follows:

Asset holder	Real estate
SK Telecom Co., Ltd	1) SKT Tower in Jung-gu 2) SK Telecom Training Center in Incheon 3) SK Planet Building in Seongnam
SK Hynix Inc.	SK U-Tower in Seongnam
SK Planet Co., Ltd.	SK Planet Building in Seongnam

- In the case where the asset holder intends to dispose of the target real estate, the right to negotiate preferential purchase can be exercised.

- Terms of the sale and the lease shall be determined by mutual communication within the scope of compliance with relevant laws such as the Real Estate Investment Company Act.

(5) Liability lease agreement

1) Contract for providing operating lease to SK Co., Ltd.

Regarding the lease of SK Seorin Building, the group entered into a five-year lease agreement (rental deposit of KRW 32,711,600 thousand and monthly rent of KRW 3,271,160 thousand) with SK Co., Ltd. from July 06, 2021 to July 05, 2026.

2) Contract for providing operating lease to SK Energy Co., Ltd

The Group has signed a lease agreement (rental deposit of KRW 26,789,200 thousand and monthly rent of KRW 2,678,920 thousand) with SK Energy Co., Ltd. from July 7, 2021 through June 30, 2021 in connection with the lease of 116 gas stations including SK Energy Gayang Gas Station.

Regarding the lease of SK Energy Gayang gas Station and other 115 gas stations, the Group has entered into a ten-year lease agreement (rental deposit of KRW 26,828,680 thousands and monthly rent of KRW 2,682,868 thousands) with SK Energy Co., Ltd. from July 07, 2021 to June 30, 2031.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

(6) Loan agreement

Details of the loan agreement as of March 31, 2022, are as follows:

(in thousands of Korean won)

Financial institutions		Contract amount	Loan amount	Annual interest rate (%)	Maturity	Repayment method
Prior order borrowings	Standard Chartered Bank Korea Ltd	₩ 246,100,000	₩ 246,100,000	2.08	2024-07-05	Repayment at maturity
	SK Office OneQ No. 1	60,000,000	60,000,000			
	Clean Energy OneQ No. 1	60,000,000	60,000,000			
	S Tiger K Co., Ltd.	80,000,000	80,000,000			
	S Tiger Energy Co., Ltd.	40,000,000	40,000,000			
	KOOKMIN BANK	280,000,000	280,000,000			
	Sumitomo Mitsui Banking Corporation	135,800,000	135,800,000			
	Mizuho Bank, Ltd.	150,000,000	150,000,000			
	Total	**1,051,900,000**	**1,051,900,000**			

(7) Collateral trust contract

The Group has entered into a real estate collateral trust contract with Daehan Real Estate Investment Trust Co., Ltd. for the investment property of the Group, with eight preferred beneficiaries, including Standard Chartered Bank Korea Ltd.

The Group has entered into a real estate collateral trust contract with Daehan Real Estate Investment Trust Co., Ltd. for the investment property of the Group, with Standard Chartered Bank Korea Ltd. and other 7 preferred beneficiaries.

(8) Brand use agreement

As of the end of the current term, the Group has entered into a brand use contract with SK Inc. and the amount equivalent to 0.2% of the Group's sales after deducting advertising expenses from sales is paid in return for the agreement.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

30. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Details of cash flows from operating activities as of March 31, 2022, are as follows:

(in thousands of Korean won)

	March 31, 2022
Profit for the period	₩ 24,189,222
adjustment:	25,147,478
Depreciation	6,123,246
Interest expense	19,947,898
rental revenue	(854,014)
Interest income	(69,652)
Changes in operating assets and liabilities:	61,126,441
Decrease (increase) in other accounts receivable	-
Decrease (increase) in accrued income	(880,024)
Decrease in advance payments	170,000
Decrease (increase) in prepaid expenses	(342,858)
Decrease in prepaid Value Added Tax	17,000
Decrease (increase) in VAT withheld	1,691,141
Increase (decrease) in accounts payable	930,773
Increase (decrease) in withholdings received	129
Increase (decrease) in leasehold deposits received	59,540,280
Cash flows from operating activities	110,463,141

(2) The significant non-cash transactions for the years ended March 31, 2022, are as follows:

(in thousands of Korean won)

	March 31, 2022
Reclassification of the current portion of long-term deferred income	₩ 853,770

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022

(3) Reconciliation details of liabilities arising from financial activities for the years ended March 31, 2022, are as follows:

(in thousands of Korean won)

	March 31, 2022			
	Beginning of year	Cashflows	Amortization	End of year
Long-term borrowings	₩ -	₩ 1,044,188,600	₩ 1,848,586	₩ 1,046,037,186

31. OPERATING SEGMENTS

The Group does not disclose information for each segment as the reportable segment in accordance with IFRS 8 (Operating Segments) is a single segment. Reporting data regularly reviewed by the Group's chief operating decision maker is measured in a manner consistent with the financial statements.

The Group's operating revenue was entirely domestic, and information related to external customers with whom The Group conducts transactions that amount to 10% or more of the Group's operating revenue for the year ended March 31, 2022, are as follows:

(in thousands of Korean won)

Customer	Type	March 31, 2022
SK Inc.	Operating revenues(*1)	₩ 29,861,961
SK Energy Co. Ltd.	Operating revenues(*2)	24,108,436
Total		**₩ 53,970,397**

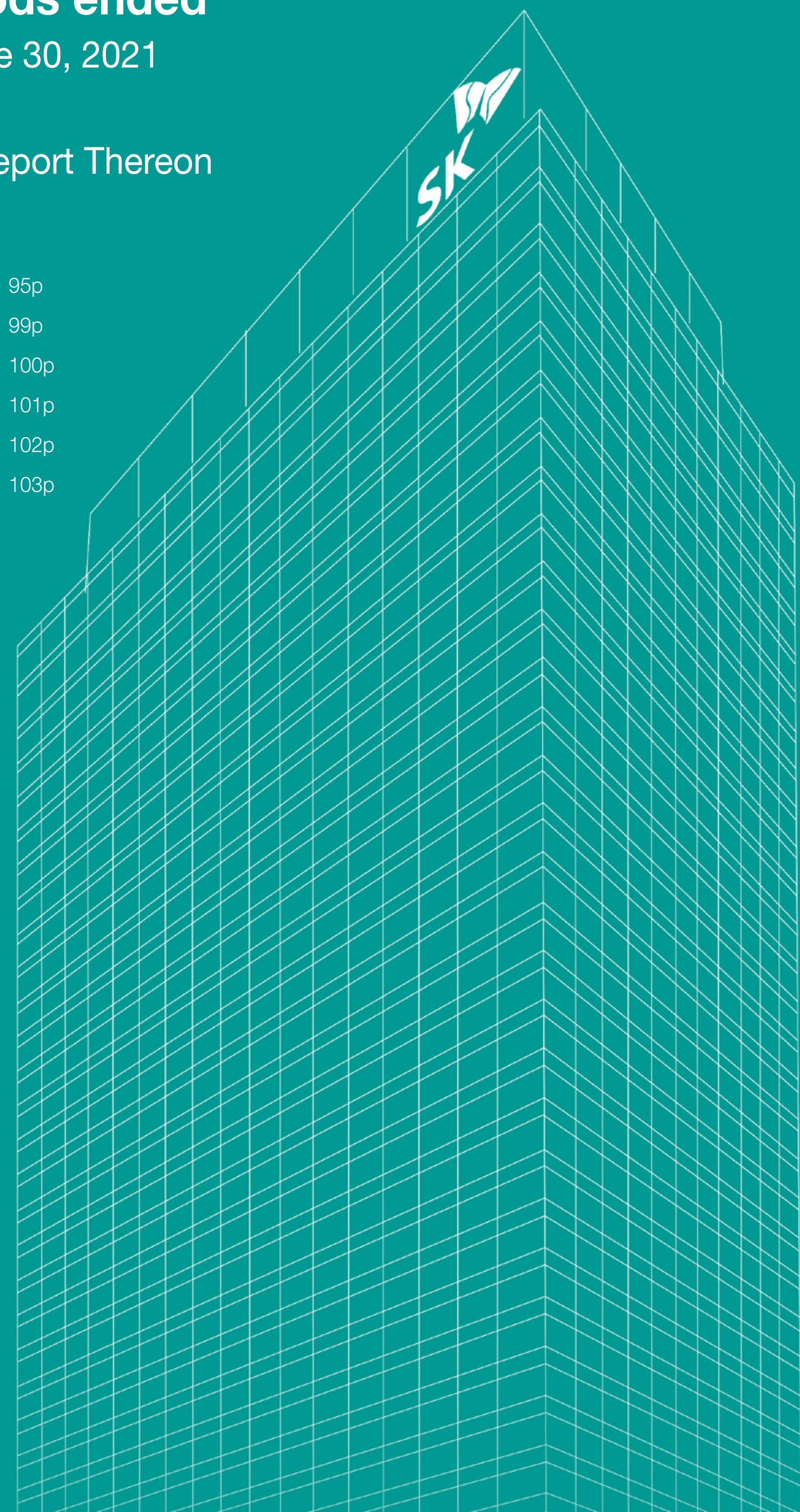
(*1) KRW 159,981 thousand reflected in the operating income of the Unearned income has been excluded.
(*2) KRW 124,855 thousand reflected in the operating income of the Unearned income has been excluded.

SK REIT Co., Ltd. and its Subsidiaries

Consolidated Financial Statements As of and for the periods ended

September 30, 2021, and June 30, 2021

With Independent Auditors' Report Thereon



INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean on December 15, 2021.)

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To the Shareholders and the Board of Directors of SK REIT CO., LTD.:

Audit Opinion

We have audited the consolidated financial statements of SK REIT CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of September 30, 2021, and June 30, 2021, respectively, and the related consolidated statements comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2021, and June 30, 2021, respectively, and its financial performance and its cash flows for the periods then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean on December 15, 2021.)

Appropriateness of disclosure of collateral provided assets details

As described in Note 7 (Cash and Cash Equivalents), Note 13 (Collateral Provision Status), Note 14 (Insurance Subscription Status) and Note 28 (Commitments), the Group provides assets and rights held by the Group as collateral for long-term borrowings and lease deposits. As of the end of the current term, the nominal values of long-term loans and rental deposits are ₩1,051,900 million and ₩59,501 million, respectively, and the book value is ₩1,044,783 million and ₩51,582 million, respectively. In this regard, the assets and rights of the Group provided as collateral are as follows:

– A deposit bond
– Investment properties
– Right to claim payment under the comprehensive property insurance contract
– Preferred beneficiary rights under real estate collateral trust contract

The amount of collateral set for the assets and rights is KRW 1,262,280 million for long-term borrowings and KRW 71,401 million for lease deposits.

As mentioned above, the details of the Group's collateralized provided assets are important in value and consist of several items, so there is a risk of causing significant misstatement in the consolidated financial statements. Therefore, we judged the Appropriateness of disclosure of collateral provided assets details as a significant item necessary for financial decision making of the Group's information users and stakeholders, and decided it as key audit matters of consolidated financial statements.

The main audit procedures we have performed in relation to the adequacy of Appropriateness of disclosure of collateral provided assets details as of the end of the current term are as follows.

– We confirmed the details of collateral setting details by the financial institution through sending and collecting the financial institution confirmation form.
– We confirmed the appropriateness of collateral provided assets amount through the review of the loan agreement, the deposit bond pledge establishment contract, insurance pledge establishment contract and real estate collateral trust contract.
– We confirmed the appropriateness of the collateral setting details for investment properties and the existence of collateral provided assets through sending and collecting the trust property confirmation form.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean on December 15, 2021.)

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinion.

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

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.

INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean on December 15, 2021.)

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

The engagement partner on the audits resulting in this independent auditors' report is Sun Hee Gong.

Deloitte Anjin LLC

December 15, 2021

Notice to Readers

This report is effective as of December 15, 2021, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position

As of September 30, 2021, and June 30, 2021

(In Korean won)

	Notes	September 30, 2021	June 30, 2021
Assets			
Current Assets		₩ **21,593,659,298**	₩ **410,078,904**
Cash and cash equivalents	4, 5, 6, 7	20,189,921,807	300,061,198
Trade receivables and other receivables	5, 6, 8	1,006,071,737	–
Other current financial asset	5, 6, 9	1,042,925	6,576
Other current asset	10	396,622,829	110,011,130
Non-current Assets		**1,861,088,145,831**	**–**
Investment properties	12, 13, 14, 17	1,861,088,145,831	–
Total assets		₩ **1,882,681,805,129**	₩ **410,078,904**
Liabilities			
Current liabilities		₩ **3,360,124,694**	₩ **110,000,000**
Other current financial liabilities	4, 5, 6, 15, 27	1,034,400,501	110,000,000
Other current liabilities	16	2,325,724,193	–
Non-current liabilities		**1,103,125,658,498**	**–**
Long-term borrowing	4, 5, 6, 13, 14, 17	1,044,783,013,773	–
Leasehold deposits received	4, 5, 6, 13, 18, 27	51,581,631,415	–
Other non-current liabilities	16	6,761,013,310	–
Total liabilities		**1,106,485,783,192**	**110,000,000**
Equity			
Capital stock	19	77,510,266,000	300,000,000
Other paid-in capital	20	687,994,835,422	–
Retained earnings	21	10,690,920,515	78,904
Total equity		**776,196,021,937**	**300,078,904**
Total liabilities and equity		₩ **1,882,681,805,129**	₩ **410,078,904**

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the periods ended September 30, 2021, and June 30, 2021

(In Korean won)

	Notes	September 30, 2021	June 30, 2021
Operating revenues	12, 27	₩ 17,088,721,815	₩ –
Operating expenses	12, 24, 27	3,601,311,339	–
Operating income		13,487,410,476	–
Financial income	6, 25	4,269,622	78,904
Financial expense	6, 25	7,215,731,075	–
Other income	26	1,098,546	–
Other expense	26	22	–
Income before income tax expense		6,277,047,547	78,904
Income tax expenses	22	–	–
Net income		₩ 6,277,047,547	₩ 78,904
Other comprehensive income		–	–
Net comprehensive income		₩ 6,277,047,547	₩ 78,904
Net earnings per share			
Basic and diluted earnings per common share for continuing operations	23	53.74	0.13

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the periods ended September 30, 2021, and June 30, 2021

(In Korean won)

	Share capital	Other paid-in-capital	Retained earnings (accumulated deficit)	Total equity
Balance as of March 15, 2021	₩ –	₩ –	₩ –	₩ –
Total comprehensive income:				
Net income	–	–	78,904	78,904
Owners transaction:				
Paid–in capital increase	300,000,000	–	–	300,000,000
Balance as of June 30, 2021	300,000,000	–	78,904	300,078,904
Balance as of July 1, 2021	300,000,000	–	78,904	300,078,904
Total comprehensive income:				
Net income	–	–	6,277,047,547	6,277,047,547
Owners transaction:				
Paid–in capital increase	77,210,266,000	692,408,708,390	–	769,618,974,390
Dividends	–	–	(78,904)	(78,904)
Capital surplus from earnings	–	(4,413,872,968)	4,413,872,968	–
Balance as of September 30, 2021	₩ 77,510,266,000	₩ 687,994,835,422	₩ 10,690,920,515	₩ 776,196,021,937

See accompanying notes to the consolidated financial statements.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the periods ended September 30, 2021, and June 30, 2021

(In Korean won)

	Notes	September 30, 2021	June 30, 2021
Cash flows from operating activities:		**₩ 69,144,462,016**	**₩ 61,198**
Cash provided by operating activities	29	75,498,247,282	–
Interest income received		3,239,849	72,328
Interest expense paid		(6,356,526,245)	–
Income taxes paid		(498,870)	(11,130)
Cash flows from investing activities:		**(1,863,062,096,893)**	**–**
Cash inflows from investing activities		–	–
Cash outflows for investing activities		(1,863,062,096,893)	–
Acquisitions of subsidiaries		17,706	–
Acquisitions of investment property (land)		1,545,010,200,319	–
Acquisitions of investment property (building)		318,051,878,868	–
Cash flows from financing activities:		**1,813,807,495,486**	**300,000,000**
Cash inflows from financing activities		2,072,986,174,390	300,000,000
Increase of short-term borrowings		259,178,600,000	–
Increase of long-term borrowings		1,044,188,600,000	–
Paid-in capital increase		769,618,974,390	300,000,000
Cash outflows for financing activities		(259,178,678,904)	–
Decrease of short-term borrowings		259,178,600,000	–
Dividends paid	21	78,904	–
Net increase in cash and cash equivalents		**19,889,860,609**	**300,061,198**
Cash and cash equivalents, beginning of period		300,061,198	–
Cash and cash equivalents at the end of the period		**₩ 20,189,921,807**	**₩ 300,061,198**

See accompanying notes to the consolidated financial statements.

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1. REPORTING ENTITY:

In accordance with Korean International Financial Reporting Standards ("K-IFRS") 1110 Consolidated Financial Statements, SK REIT Co., Ltd. (the "Company"), the controlling company was established on March 15, 2021, under the Real Estate Investment Companies Act of the Republic of Korea. The Group obtained approval of the business authorization from the Ministry of Land, Infrastructure and Transport of the Republic of Korea on September 14, 2021. The Group is mainly engaged in providing its shareholders with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement and disposal, development and trade of real estate lease securities. The Group's headquarters is located at the 136, Sejong-daero, Jung-gu, Seoul, Korea.

The Group's major shareholders and their respective shareholdings as of September 30, 2021, are as follows:

Shareholders	Number of shares	Percentage of ownership
SK Inc.	77,510,266	50%
Shinhan Bank (Money manager of IGIS REIT Portfolio Specialized Investment Type Private Real Estate Investment Trust No.1 Co., Ltd.)	9,400,000	6.06%
Korean Federation of Community Credit Cooperatives	9,400,000	6.06%
Others	58,710,266	37.88%
Total	155,020,532	100.00%

The Company's business year starts on January 1st and ends on March 31st of the same year, starts on April 1st and ends on June 30th of the same year, starts on July 1st and ends on September 30th of the same year, and starts on October 1st and ends on December 31st of the same year.

(1) Consolidated subsidiaries and current status

The Company and its subsidiaries (hereinafter referred to as the " Group") are engaged in real estate leasing. Meanwhile, the status of subsidiaries included in the consolidated financial statements as of September 30, 2021, and June 30, 2021, are as follows.

Subsidiaries	Main business	Country of domicile	Ownership (%)		Reporting month
			September 30, 2021	June 30, 2021	
Clean Energy REIT Co., Ltd.	Investing real estate	Korea	100.00	–	March, June, September and December

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with K-IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

As of the end of the previous year, the parent company did not have a consolidated subsidiary, so individual financial statements were prepared. The parent was obligated to prepare consolidated financial statements as it acquired a subsidiary during the current period. Therefore, the current term was presented as consolidated financial statements in accordance with K-IFRS 1110, and the comparative reporting period was presented as the amount of individual financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Consolidated financial statements are prepared on the basis of historical cost, except for certain non-current assets and financial assets measured at the revalued amount or at fair value at the end of each reporting period as explained in the accounting policy below. Historical costs are generally measured at the fair value of consideration received to acquire an asset.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116 Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

Management has a reasonable expectation that at the time of approval of the consolidated financial statements, the Group will have sufficient resources to survive as a going concern for the foreseeable future period. Therefore, the management prepared the consolidated financial statements on the premise of the going-on company.

1) There is no accounting standards and interpretations that were newly applied and changes in the Group's accounting policies for the period ended September 30, 2021.

2) The Group has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

- K-IFRS 1001 Classification of Liabilities as Current or Non-current (Amendment)

The amendment to K-IFRS 1001 affects only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

The amendment clarifies that the classification of liabilities as current or non-current is based on the rights that exist at the end of the reporting period and that classification is unaffected by the expectations of the entity or events after the reporting date. It also defines 'settlement' to make clear that settlement refers to extinguishment of a liability through a transfer of cash, equity instruments, other assets or services to the counterparty.

The amendment is applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

- K-IFRS 1103 Reference to the Conceptual Framework (Amendment)

The amendment updates K-IFRS 1103 so that it refers to the latest version of the Conceptual Framework (2018) instead of the previous version of the Framework (2007). K-IFRS 1103 is updated to require, for obligations within the scope of K-IFRS 1037, an acquirer to apply K-IFRS 1037 to determine whether a present obligation exists on the acquisition date as a result of past events; and for a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer should apply K-IFRS 2121 to determine whether an obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendment also adds an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendment is effective for business combinations for which the date of acquisition is on or after the beginning of the annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment (Amendment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendment also clarifies the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies assessing whether the technical and physical performance of an asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

If not presented separately in the consolidated statements of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not outputs of the entity's ordinary activities, and which line item(s) in the consolidated statements of comprehensive income include(s) such proceeds and cost.

The amendment is applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1037 Onerous Contracts—Cost of Fulfilling a Contract (Amendment)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g., direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g., allocation of the depreciation of property, plant and equipment used in fulfilling the contract).

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The amendment applies to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

– Annual Improvements to K-IFRS 2018-2020 Cycle
The annual improvements include amendments to K-IFRS 1101 First-time Adoption, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases and K-IFRS 1041 Agriculture.

K-IFRS 1101 First-time Adoption
The amendment provides additional exemptions regarding the accounting for cumulative translation differences in subsidiaries that become first-time adopters after the parent company. A subsidiary applying the exemption in paragraph D16(1) of K-IFRS 1101 may choose to measure the cumulative conversion difference between all foreign operations at the carrying amount included in the parent's consolidated financial statements on the basis of the parent's transition date. However, this excludes the effectiveness of business combinations in which a parent acquires a subsidiary and adjustments to the consolidation procedures. A similar choice may be made if an associate or joint venture applies the exemption in paragraph D16(1) of K-IFRS 1011.

The amendment applies for annual periods beginning on or after January 1, 2022. Early application is permitted.

K-IFRS 1109 Financial Instruments
The amendment clarifies that when applying the '10%' test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment is applied prospectively to changes and exchanges that occurred after the date of initial application. This amendment shall be effective for annual periods beginning on or after January 1, 2022, with early application permitted.

K-IFRS 1116 Leases
The amendment removes the details of the lease improvement reimbursement illustration in Example 13 of K-IFRS 1116. The date of implementation is not separately defined, as the amendment is only relevant to the illustrative example.

(2) Consolidated accounting standards

The Group prepares consolidated financial statements by consolidating the financial statements of the parent and other entities controlled by the parent (or its subsidiaries).

The Group determines that control exists when all three factors are satisfied: 1) power over an investee, 2) exposure or rights to fluctuating profits due to involvement in the investee and 3) the ability to use its power against an investee to affect the investor's profit. In addition, if there are facts and circumstances that indicate that there is a change in one or more of the three elements of control, the entity reassess whether it controls the investee.

Although the Group holds less than a majority of the voting rights of the investee, it believes that it has power over the investee if it has enough voting rights to have the practical ability to unilaterally direct the relevant activities of the investee. When assessing whether the voting rights held by the Group are sufficient to grant the power over the investee, all relevant facts and circumstances, including the following, are considered:

- The relative size of voting rights and the degree of share dispersion of shareholders
- Potential voting rights held by the Group, other voting rights holders or other parties
- Rights arising from contractual arrangements
- Additional facts and circumstances that indicate whether the Group has the current ability to direct the relevant activities at the time the decision is to be made, including voting patterns at past shareholders' meetings

The consolidation of subsidiaries begins when the parent acquires control of the subsidiary and ceases when the parent loses control of the subsidiary. In particular, the revenues and expenses related to subsidiaries acquired or disposed during the period are included in the consolidated statements of comprehensive income from the date the acquisition is virtually completed or until the date the disposal is substantially completed. The components of net profit and loss and other comprehensive income are attributed to the owners of the parent and the non-controlling interests, and total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if the non-controlling interests have a negative balance.

If an entity that comprises the Group uses a different accounting policy from the one adopted in the consolidated financial statements for the same transactions or events that occurred in similar circumstances, the consolidated financial statements of subsidiary are prepared by amending the consolidated financial statements.

All intragroup transactions, related assets and liabilities, income and expenses are eliminated in the preparation of consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. If the element of a non-controlling interest in the acquiree at the acquisition date is its current interest and entitles the holder to a proportionate share of the entity's net assets at liquidation, such non-controlling interest can be measured either at fair value or by a proportionate share of the equity instruments currently recognized for the acquiree's identifiable net assets at the acquisition date. The choice of these metrics is made for each acquisition transaction. All other non-controlling interests are measured at their fair value at the acquisition date. The carrying amount of the non-controlling interest after the acquisition is the amount initially recognized and reflects the proportionate interest of the non-controlling interest in the changes in equity since the acquisition. Total comprehensive income is attributable to non-controlling interests even if the non-controlling interests have negative balances.

Changes in ownership interests in subsidiaries that do not lose control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interests of the Group is adjusted to reflect the relative changes in interest in the subsidiaries. The difference between the adjustment amount of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

If the parent loses control of the subsidiary, it accounts for the difference between (i) the consideration received and the fair value of the equity interests held and (ii) the subsidiary's assets (including goodwill) and liabilities and the carrying amount of the non-controlling interests in disposal profit or loss. The Group accounts for the amounts previously recognized in other comprehensive income in relation to its subsidiaries on the same basis as if the related assets or liabilities were directly disposed of (i.e., reclassified to profit or loss or replaced directly with retained earnings).The fair value of an investment in a subsidiary before the date of loss of control is regarded as the fair value at initial recognition of a financial asset in accordance with K-IFRS 1109 'Financial Instruments' or, where appropriate, as cost at initial recognition of an investment in an associate or a joint venture.

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(3) Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 Share-Based Payment at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's equity in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognized in profit or loss.

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

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

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(4) Cash and cash equivalents

Cash and cashable assets include cash held, bank deposits and other highly liquid short-term investments that are due within three months as of the acquisition date.

(5) Revenue recognition

The Group, a real estate investment company under the Real Estate Investment Company Act, recognizes the lease income from the provision of investment property on a flat rate basis over the lease period and also recognizes the dividend income from subsidiaries when the right to receive is settled and the amount is determined. Therefore, it is not within the scope of K-IFRS 1115 Revenue from Contracts with Customers.

(6) Lease

The Group classifies each lease as either an operating lease or a financial lease. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as financial leases, and leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as operating leases.

If the Group is an intermediate lessor, the Group accounts for the head lease and the sublease as two separate contracts. The Group classifies all subleases as financial leases or operating leases by reference to the right-to-use assets arising from the head leases, rather than by reference to the underlying assets.

The Group recognizes the lease payment from the operating lease as income on either a straight-line basis or other systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefits from the use of the underlying asset is diminished. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same bases as the lease income.

In case of a financial lease, the amount to receive from the lessee is recognized as a receivable as a net investment in the lease of the Group. The Group allocates financial income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

After initial recognition, the Group reviews regularly estimated unguaranteed residual value and applies the derecognition and impairment requirements in K-IFRS 1109 to recognize the expected credit losses on lease receivables as a loss allowance.

Financial lease income is calculated by referring to the total carrying amount of the lease receivable. However, in case of financial lease receivable with damaged credit, financial income is calculated by referring to the amortized cost (i.e., the amount after deducting the loss allowance).

If a contract contains a lease component and one or more additional lease or non-lease components, The Group applies K-IFRS 1115 to allocate the consideration in the contract to each component.

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(7) Foreign currency conversion

Consolidated financial statements are represented in the currency (functional currency) of the principal economic environment in which the entity operates. In order to prepare consolidated financial statements, companies' management performance and financial status are expressed in 'won,' which is the functional currency of the Group and the presentation currency for preparing consolidated financial statements.

In preparing consolidated financial statements, transactions made in currency (foreign currency) other than the functional currency of the Company are recorded at the exchange rate of the transaction date. Currency foreign currency items as of the end of the current term are being converted into exchange rates as of the end of the current term. On the other hand, non-monetary foreign currency items measured at fair value are converted to the exchange rate at the date the fair value is determined, but non-monetary foreign currency items measured at historical costs are not converted again.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until they are substantially ready for their intended use or sale.

"To the extent that variable-rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss.

To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate."

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(9) Investment properties

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

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from four to 40 years using the straight-line method.

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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(10) Income tax and deferred tax

Income tax expense for the period consists of current and deferred tax and is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Corporate tax expenses are measured based on tax laws enacted or substantially enacted as of the end of September 30, 2021.

The management periodically evaluates the tax policy applied by the Group when reporting tax in situations where applicable tax law regulations may vary depending on interpretation. The Group recognizes current corporate tax expenses based on the amount expected to be paid to the tax authorities.

Deferred tax is recognized as the expected corporate tax effect when recovering or settling the carrying amount for a temporary difference between the carrying amount and the tax base amount of assets and liabilities. Deferred tax assets and liabilities that arise when assets and liabilities are first recognized in transactions other than business combinations are not recognized unless the transaction affects accounting income or taxable income.

Deferred tax assets are recognized when it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and The Group intend to settle current tax liabilities and assets on a net basis.

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group payouts 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

In this case, current tax is not included as there is no corporate tax to be borne by the Group.

In addition, due to the uncertainty of future taxable income, deferred tax assets for temporary differences to be deducted in the future were not recorded as of September 30, 2021.

(11) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value upon initial recognition, excluding trade receivables that do not contain a significant financial component.

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Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(12) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is 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 SPPI on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see 1-3) below).
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see 1-4) below).

2) Gain(loss) on foreign currency translation

The carrying amount of financial assets expressed in foreign currency is calculated in foreign currency and converted into a spot exchange rate at the end of the current term.

- For financial assets measured at amortized cost (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item.

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- For debt instruments measured at FVTOCI (excluding the portion designated as a hedging relationship), the difference in the exchange rate of amortized cost of the debt instrument is recognized in profit or loss in the 'other non-operating profit or loss' Because the foreign currency component recognized in profit or loss is the same as measured at amortized cost, the residual foreign currency component based on the translation of the carrying amount (fair value) is recognized in other comprehensive income in the cumulative valuation gain or loss item.
- For financial assets measured at FVTPL (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item as part of the gain or loss due to changes in fair value.
- For equity instruments measured at FVTOCI, the accumulated valuation gain or loss item is recognized in other comprehensive income.

3) Impairment of financial assets

The Group recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For financial assets other than this, lifetime expected credit losses are recognized if credit risk increases significantly after initial recognition. However, if the credit risk of a financial asset has not increased significantly since initial recognition, the Group measures the expected credit loss of the financial instrument at the equivalent of a 12-month expected credit loss.

Lifetime expected credit losses refer to expected credit losses resulting from all possible default events in the expected life of a financial instrument. Conversely, 12-month expected credit losses refer to some of the expected lifetime expected credit losses due to defaults on financial instruments that may occur within 12 months after the end of the current term.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition a financial asset that is measured at amortized cost, the difference between the carrying amount of that asset and the sum of the consideration received or to receive is recognize in profit or loss. If investment in debt instruments measured at FVTOCI is derecognized, the cumulative gain or losses previously recognized is reclassified to profit or loss. On the other hand, investments in equity instruments designated as measured at fair value items through other comprehensive income at initial recognition, do not reclassify the accumulated gains or losses previously recognized is not reclassified in profit or loss, but are replaced by retained earnings.

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(13) Financial liabilities and equity instruments

1) Classification as financial liabilities or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

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

5) Financial liabilities measured subsequently at amortized cost

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

6) Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:
- the amount of the loss allowance determined in accordance with the principles of K-IFRS 1109 'Financial Instruments' and
- the amount initial recognized less the cumulative amount of income recognized in accordance with the principles of K-IFRS 1115 'Revenue from Contracts with Customers'

7) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, are at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(14) Operating segment

Information for each operating segment is disclosed based on how it is reported internally to the chief operating decision maker (see Note 30). The chief operating decision maker is responsible for assessing the resources to be allocated to the segment and its performance, and the Group considers the board of directors that makes strategic decisions as the chief decision maker. The Group consists of a single operating segment whose main business purpose is the real estate rental business.

(15) Application of special provisions under the Real Estate Investment Companies Act: Exclusion of the obligation to reserve profit reserves and extra dividends

The Group does not reserve profit reserves because Article 458 of the Commercial Act, which stipulates the obligation to reserve profit reserves at the time of profit distribution, is excluded by the Real Estate Investment Company Act in effect as of the closing date. In addition, Article 462 of the Commercial Act is excluded under the Real Estate Investment Company Act, and dividends may exceed annual profits within the limit of depreciation expenses for the relevant year.

(16) Approval of issuance of consolidated financial statements

These consolidated financial statements have been approved by the board of directors on November 10, 2021, and can be revised and approved at the shareholders' meeting on December 23, 2021.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The Group is estimating and assuming the future. Estimates and assumptions are continuously evaluated and taken into account future events that are reasonably predictable in the light of past experience and current circumstances. These accounting estimates may differ from the actual results. Estimates and assumptions of significant risks that may affect the adjustment of asset and liability carrying amounts in the next fiscal year are as follows:

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(1) Corporate tax

Since corporate tax on taxable income of the Group is calculated by applying the tax law and the decision of the tax authorities, there is uncertainty in calculating the final tax effect.

4. FINANCIAL RISK MANAGEMENT:

(1) Financial risk factors

The Group's financial assets and liabilities are exposed to various risks, including market risk, credit risk and liquidity risk. The Group's financial risk management focuses on identifying the potential risks that may arise from operating activities and eliminating or minimizing these risks to an acceptable level.

Risk management is carried out by asset management companies in accordance with the risk management policy approved by the board of directors and identifies, evaluates and avoids financial risks.

1) Market Risk

As the Group's interest-bearing assets are not material, the income and operating cash flows of the Group are substantially independent of the market interest rate. The risk of interest rate fluctuations for the Group mainly comes from its borrowings. However, the Group is not exposed to cash flow and fair value interest rate risk due to loans issued at fixed interest rates of KRW.

2) Credit Risk

The Group is exposed to credit risk when counterparties fail to pay the following amounts within their maturity;
Payment of trade receivables within 60 days from invoice issuance
Contractual cash flows of debt instruments measured at amortized costs
Contractual cash flows of debt instruments measured at fair values through other comprehensive income

On the other hand, separate disclosures were omitted in case that the carrying amount of financial assets exposed to Group's credit risk is most representative of the maximum exposure to credit risk.

① Trade receivables and contract assets
The Group applies an expedient that recognizes lifetime expected credit losses as loss allowance for trade receivables and contracted assets. To measure the expected credit losses, trade receivables and contract assets were categorized based on their credit risk characteristics and overdue dates. Trade receivables and contract assets do not exist as of September 30, 2021. Accordingly, the loss allowance is not recognized.

② Other financial assets measured at amortized cost
Other financial assets measured at amortized cost are cash and cash equivalents and other receivables (non-trade receivables and interest receivable on financial instruments). The Group does not recognize any loss allowance for those other financial assets measured at amortized cost.

3) Liquidity Risk

Liquidity risk management includes the maintenance of sufficient cash and marketable securities, the financial capacity by appropriately agreed lines of credit and ability to settle market positions. Through active operating activities, the Group maintains its financial capacity flexibly within the Group's credit limit.

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Analysis of liquidity risk as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021			
	Within 1 year	1 year - 5 years	More than 5 years	Total
Non-trade payables	₩ 1,034,401	-	₩ -	₩ 1,034,401
Long-term borrowings (*1)	21,879,520	1,090,469,571	-	1,112,349,091
Leasehold deposits received (*2)	-	59,500,800	-	59,500,800
Total	**₩ 22,913,921**	**1,149,970,371**	**₩ -**	**₩ 1,172,884,292**

(*1) The amount includes interest to be paid in the future.
(*2) The maturity amount under the remaining contract is the contractual cash flow that is not discounted.

(in thousands of Korean won)

	June 30, 2021			
	Within 1 year	1 year - 5 years	More than 5 years	Total
Non-trade payables	₩ 110,000	₩ -	₩ -	₩ 110,000

(2) Capital risk management

The primary objective of the Group's capital management is to maintain its ability to continuously provide return to its shareholders and to optimize its capital structure to reduce capital expenses.

The Group adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital.

Debt-to-equity ratio as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Liabilities	₩ 1,044,783,014	₩ -
Less: Cash and cash equivalents and short-term financial instruments	20,189,922	300,061
Net liabilities	1,024,593,092	(300,061)
Total equity	1,800,789,114	18
Debt-to-equity ratio	56.90%	(*1)

(*1) It is not calculated because it is a negative amount.

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5. FINANCIAL INSTRUMENTS FAIR VALUE:

The details of the fair value of financial instruments as of September 30, 2021, and June 30, 2021, are as follows:

(1) Fair Value by Type of Financial Instrument

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents (*1)	₩ 20,189,922	₩ 20,189,922	₩ 300,061	₩ 300,061
Other trade receivables (*1)	1,006,072	1,006,072	–	–
Accrued income (*1)	1,043	1,043	7	7
Total	**₩ 21,197,037**	**₩ 21,197,037**	**₩ 300,068**	**₩ 300,068**
Financial liabilities				
Other trade payables (*1)	₩ 1,034,401	₩ 1,034,401	₩ 110,000	₩ 110,000
Long-term borrowings (*1)	1,044,783,014	1,044,783,014	–	–
Leasehold deposits received (*1)	51,581,631	51,581,631	–	–
Total	**₩ 1,097,399,046**	**₩ 1,097,399,046**	**₩ 110,000**	**₩ 110,000**

(*1) The book value of a financial instrument is judged to be similar to its fair value.

(2) Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value are categorized according to the fair value hierarchy and defined levels are as follows:

- The quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Unobservable inputs for the asset or liability (Level 3)

As of September 30, 2021, the Group's financial instruments are cash and cash equivalents, other receivables, loans and rent deposits, which are excluded from the disclosure of the fair value hierarchy because their book values were estimated to be reasonable approximations of fair values.

(3) The Group recognizes transfers between levels at the time when the events or changes in circumstances that cause the transfers between levels.

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6. FINANCIAL INSTRUMENTS:

The details of the financial instruments as of September 30, 2021, and June 30, 2021, are as follows:

(1) Book value by Category of Financial Instruments

1) Financial Assets

(in thousands of Korean won)

Company	Financial assets at amortized cost	
	September 30, 2021	June 30, 2021
Cash and cash equivalents	₩ 20,189,922	₩ 300,061
Other trade receivables	1,006,072	–
Accrued income	1,043	7
Total	**₩ 21,197,037**	**₩ 300,068**

2) Financial Liabilities

(in thousands of Korean won)

Company	Financial liabilities at amortized cost	
	September 30, 2021	June 30, 2021
Other trade payables	₩ 1,034,401	₩ 110,000
Long-term borrowings	1,044,783,014	–
Leasehold deposits received	51,581,631	–
Total	**₩ 1,097,399,046**	**₩ 110,000**

3) Net Income by Category of Financial Instruments

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Financial assets measured at amortized cost		
Interest income	₩ 4,270	₩ 79
Financial liabilities measured at amortized cost		
Interest expenses	₩ 7,215,731	₩ –

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7. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	September 30, 2021	June 30, 2021	Note
Bank deposits	Standard Chartered Bank Korea Ltd.	₩ 20,189,922	₩ 300,061	Pledge establishment

In relation to long-term borrowings, the above ordinary deposits have fundamental rights set up at Standard Chartered Bank Korea Ltd. However, the deposit and withdrawal of the operating account among the accounts held by the Group are allowed freely except in cases where profits from the deadline are lost or restricted by a large number of lenders with their rational judgements.

8. TRADE RECEIVABLES AND OTHER RECEIVABLES:

Trade and other receivables as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Trade receivables	₩ 1,006,072	₩ –
Allowance	–	–
Net trade receivables	1,006,072	–

9. OTHER FINANCIAL ASSETS:

Other financial assets as of September 30, 2021, and June 30, 2021, are fully accrued income.

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10. OTHER ASSETS:

Other assets as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
	Current	Non-current	Current	Non-current
Advanced payments	₩ –	–	₩ 100,000	–
Prepaid expenses	396,102	–	–	–
Advanced tax	521	–	11	–
Prepaid VAT	–	–	10,000	–
Total	**₩ 396,623**	**–**	**₩ 110,011**	**–**

11. SUBSIDIARIES:

(1) Details of the Group's investments in subsidiaries as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

Company	Main business	Country	Ownership		Settlement month
			September 30, 2021	June 30, 2021	
Clean Energy REIT Co., Ltd.	Real estate investment	Korea	100%	–	3, 6, 9, 12 Month

During the current period, the parent company acquired a Clean Energy REIT Co., Ltd.

(2) The following companies are newly included in the Group during the current period:

Company	Reason
Clean Energy REIT Co., Ltd.	New acquisition

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(3) Summary of financial position of the subsidiary as of September 30, 2021, and June 30, 2021, is as follows:

(in thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd.	
	September 30, 2021	
Current assets	₩	10,945,025
Non-current assets		806,878,044
Total assets	**₩**	**817,823,069**
Current liabilities	₩	1,469,124
Non-current liabilities		473,309,400
Total liabilities	**₩**	**474,778,524**
Shareholders' equity	₩	343,044,545
Non-controlling equity		–
Total capital	**₩**	**343,044,545**

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

(4) Summary of financial performance of the subsidiary as of September 30, 2021, and June 30, 2021, is as follows:

(in thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd.	
	September 30, 2021	
Sales	₩	7,642,868
Operating income		6,656,929
Net income		4,087,725
Other comprehensive income (loss)		–
Comprehensive income	**₩**	**4,087,725**

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

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(5) Summary of financial cash flows of the subsidiary as of September 30, 2021, and June 30, 2021, is as follows:

(in thousands of Korean won)

Sortation	Clean Energy REIT Co., Ltd	
	September 30, 2021	
Cash flows from operating activities	₩	32,263,361
Cash flows from investing activities		(807,204,192)
Cash flows from financing activities		785,431,141
Net increase (decrease) in cash and cash equivalents		10,490,310
Cash and cash equivalents, beginning of period		300,061
Cash and cash equivalents, end of period	₩	10,790,371

(*) The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

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12. INVESTMENT PROPERTIES:

(1) The investment property of the Group is evaluated in a cost model.

(2) Investment properties as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021			June 30, 2021		
	Acquisition cost	Accumulated depreciation	Net carrying value	Acquisition cost	Accumulated depreciation	Net carrying value
Land	₩ 1,545,010,200	₩ –	₩ 1,545,010,200	₩ –	₩ –	₩ –
Buildings	318,051,879	(1,973,933)	316,077,946	–	–	–
Total	**₩ 1,863,062,079**	**₩ (1,973,933)**	**₩ 1,861,088,146**	**₩ –**	**₩ –**	**₩ –**

(3) Changes in investment properties as of September 30, 2021, are as follows:

(in thousands of Korean won)

	Beginning balance	Acquisitions	Depreciation	Disposal	Ending balance
Land	₩ –	₩ 1,545,010,200	₩ –	₩ –	₩ 1,545,010,200
Buildings	–	318,051,879	(1,973,933)	–	316,077,946
Total	**₩ –**	**₩ 1,863,062,079**	**₩ (1,973,933)**	**₩ –**	**₩ 1,861,088,146**

(4) Revenues and expenses related to investment properties for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Operating revenues (*1)	₩ 17,088,722	₩ –
Operating expenses (*2)	2,906,704	–

(*1) Operating revenues consist of rental income.
(*2) Operating expenses consist of depreciation expense, asset management consignment fees, asset custody consignment fees and PM commission fees.

(5) Fair value of investment properties as of September 30, 2021, and June 30, 2021, is as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
	Carrying value	Fair value (*1)	Carrying value	Fair value
Land	₩ 1,545,010,200	1,456,807,230	₩ –	–
Building	316,077,946	304,115,933	–	–
Total	**₩ 1,861,088,146**	**1,760,923,163**	**₩ –**	**–**

(*1) The fair value of the investment property was determined on the basis of an evaluation conducted by the Chung-ang Appraisal Corporation, an independent external entity with appropriate qualifications and experience in relation to the local property assessment.

The valuation methods used to measure the fair value are income capitalization approach and cost approach.

The income capitalization approach measures the fair value of an investment property as the present value of discounted net cash flows generated from the investment property, which reflects the expected growth rates of rental market, vacancy periods, rental rates and operating expense rates, by the risk-adjusted discount rate. Major inputs that are significant for fair value measurements but are not observable are expected growth rates of rental market, vacancy periods, rental rates, risk-adjusted discount rates and operating expense rates.

The cost approach, for the case of land, measures the fair value of the target land on the basis of officially appraised land price of the standard land, which is considered to have similar value in use as their value creation factors are same or similar, after adjusting the time point, comparing local and individual factors and correcting other factors, while buildings are measured by adjusting depreciation to their cost of reproduction.

(6) Operational Lease Provision Details

1) Details of provision to SK Inc.

The Group enters into a contract with SK Inc. to provide an operating lease for the investment property it owns, and the depreciation expense of the operating lease asset is KRW 1,648 million.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Within 1 year	₩ 39,401,122	₩ –
1 year – 5 years	153,032,072	–
More than 5 years	–	–
Total	**₩ 192,433,194**	**₩ –**

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In addition, the rental income recognized in relation to the operating lease during the current and prior periods is as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Lease fees that vary depending on the tenant's sales	₩	–	₩	–
Other rental income		9,445,854		–
Total	**₩**	**9,445,854**	**₩**	**–**

2) Details of provision to SK Energy Co., Ltd.

The Group enters into a contract with SK Energy Co., Ltd. to provide an operating lease for the investment property it owns, and the depreciation expense of the operating lease asset is KRW 326 million.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Within 1 year	₩	32,147,040	₩	–
1 year – 5 years		128,668,528		–
More than 5 years		157,504,907		–
Total	**₩**	**318,320,475**	**₩**	**–**

In addition, the rental income recognized in relation to the operating lease during the current and prior periods is as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Lease fees that vary depending on the tenant's sales	₩	–	₩	–
Other rental income		7,642,868		–
Total	**₩**	**7,642,868**	**₩**	**–**

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(7) Fair Value Hierarchy of Investment Properties

The following is an analysis of non-financial assets measured at fair value by valuation techniques. The fair value hierarchy is as follows:

The quoted price (unadjusted) in active market for the identical assets or liabilities that the Group can access at the measurement date (Level 1)
Input other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
Unobservable inputs for the asset or liability (Level 3)

(in thousands of Korean won)

	September 30, 2021						Total	
	Level 1		Level 2		Level 3			
Investment properties	₩	–	₩	–	₩	1,760,923,163	**₩**	**1,760,923,163**

(8) Valuation Techniques and Input Variables

(in thousands of Korean won)

	September 30, 2021					
	Fair value		Level	Valuation technique	Unobservable input variable	Relationship between fair value and input variables
Investment properties	₩	1,760,923,163	3	(*1)	Price per square meter and operating income	(*2)

(*1) Income capitalization approach was applied to the contract of providing operating leases to SK Inc., and the cost approach was applied to the contract of providing operating leases to SK Energy Co., Ltd.
(*2) If the price per square meter and operating revenue increase, the fair value also increases.

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13. COLLATERAL PROVISION STATUS:

The details of investment properties provided as collateral by the Group in relation to long-term borrowings as of September 30, 2021, are as follows.

(in thousands of Korean won)

	Provided assets	Set-up authority		Maximum amount of bonds	Carrying value	Related liabilities
Investment properties	Land/ buildings	Prior	Standard Chartered Bank Korea Ltd.	₩ 295,320,000	₩ 246,100,000	Long-term borrowings
			SK Office OneQ No.1	72,000,000	60,000,000	
			Clean Energy OneQ No.1	72,000,000	60,000,000	
			S Tiger K Co., Ltd.	96,000,000	80,000,000	
			S Tiger Energy Co., Ltd.	48,000,000	40,000,000	
			Kookmin Bank	336,000,000	280,000,000	
			Sumitomo Dainippon Pharma Co. Ltd.	162,960,000	135,800,000	
			Mizuho Bank Co Ltd.	180,000,000	150,000,000	
		Subordinated	SK Inc.	39,253,920	32,711,600	Leasehold deposits
			SK Energy Co. Ltd.	32,147,040	26,789,200	
Total				₩ 1,333,680,960	₩ 1,111,400,800	

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14. INSURANCE SUBSCRIPTION STATUS:

The details of insurance that the Group is subscribed to as of September 30 2021, are as follows:

(in thousands of Korean won)

	Assets	Supplementary amount	Company
Comprehensive property risk	Buildings, etc.	₩ 650,087,925	HYUNDAI MARINE & FIRE INSURANCE CO., LTD.
Risk of corporate suspension		₩ 221,736,590	
Risk of liability for compensation	N/A	10 million per accident, all personalities	
		3,000,000 personalities per accident at a gas station	

(1) The right to receive insurance money for the above insurance has a fundamental right of KRW 1,262,280 million, limited to the amount of subsidiary compensation at Standard Chartered Bank Korea Co., Ltd. in relation to long-term loans.

(2) As of the end of the current term, the Group is subscribing to executive liability insurance with Hyundai Marine & Fire Insurance Co., Ltd., and the additional compensation amount is KRW 3,000,000 thousand.

15. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of September 30 and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
	Current	Non-current	Current	Non-current
Other payables	₩ 1,034,401	–	₩ 110,000	–

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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16. OTHER LIABILITIES:

Other financial liabilities as of September 30 and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
	Current	Non-current	Current	Non-current
Unearned revenues	₩ 1,138,357	6,761,013	₩ –	–
Deposit received VAT	1,187,324	–	–	–
Deposits received	43	–	–	–
Total	**₩ 2,325,724**	**6,761,013**	**₩ –**	**–**

17. LONG-TERM BORROWINGS:

Long-term borrowings as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	September 30, 2021	June 30, 2021	Annual interest rate(%)	Maturity date	Repayment method
Facility funds	Standard Chartered Bank Korea Ltd.	₩ 246,100,000	₩ –	2.08	24/7/5	Repayment at maturity
	SK Office OneQ No. 1	60,000,000	–			
	Clean Energy OneQ No. 1	60,000,000	–			
	S Tiger K Co., Ltd.	80,000,000	–			
	S Tiger Energy Co., Ltd.	40,000,000	–			
	Kookmin Bank	280,000,000	–			
	Sumitomo Mitsui Banking Corporation	135,800,000	–			
	Mizuho Bank Co Ltd.	150,000,000	–			
	Subtotal	1,051,900,000	–			
	Less: discount account on present value	(7,116,986)	–			
	Total	**₩ 1,044,783,014**	**₩ –**			

Land and buildings of the Group are provided as collateral in relation to the above long-term borrowings (see Note 13).

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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18. LEASEHOLD DEPOSITS RECEIVED:

Details of other leasehold deposits received as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Nominal value	₩ 59,500,800	₩ –
Present value discounts account	(7,919,169)	–
Book value	**₩ 51,581,631**	**₩ –**

19. CAPITAL STOCK:

(1) Details of capital stock as of September 30, 2021, and June 30, 2021, are as follows:

	September 30, 2021	June 30, 2021
	Common Stock	Common Stock
Authorized shares of capital stock	5,000,000,000 shares	5,000,000,000 shares
Par value	500 KRW	500 KRW
Issued shares of common stock	155,020,532 shares	600,000 shares
Capital stock:	77,510,266 thousand	300,000 thousand

(2) Details of changes in common shares outstanding and capital stock for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won, shares)

	September 30, 2021		June 30, 2021	
	Common shares outstanding	Capital stock	Common shares outstanding	Capital stock
Beginning balance	600,000	₩ 300,000	–	₩ –
Paid-in capital increase	154,420,532	77,210,266	600,000	300,000
Ending balance	**155,020,532**	**₩ 77,510,266**	**600,000**	**₩ 300,000**

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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As of and for the periods ended September 30, 2021, and June 30, 2021

20. OTHER PAID-IN CAPITAL:

(1) Details of other paid-in capital as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Paid-in capital in excess of par value	₩	687,994,835	₩	–

(2) Details of changes in other paid-in capital for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Beginning balance	₩	–	₩	–
Paid-in capital increase		687,994,835		–
Ending balance	**₩**	**687,994,835**	**₩**	**–**

21. DIVIDENDS:

(1) Details of other paid-in capital as of September 30, 2021, and June 30, 2021, are as follows:

(in Korean won, Shares)

	Common Stock			
	September 30, 2021		June 30, 2021	
Total dividends	₩	8,250,980,903	₩	78,904
Issued shares of common stock		155,020,532		600,000
Dividend per share		53		0.13
Par value		500		500
Dividends ratio		10.65%		0.03%

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of and for the periods ended September 30, 2021, and June 30, 2021

22. INCOME TAXES EXPENSES:

Income tax expense is recorded at the amount calculated by adding or subtracting changes in deferred income tax for the current period to the sum of corporate tax to be borne in the current fiscal year and tax added to corporate tax in accordance with laws such as the Corporate Tax Act.

However, in the case of dividends of 90/100 or more of the profit available for dividends as prescribed by the Presidential Decree, the Group can deduct such amount from the taxable income for the fiscal year, pursuant to Article 51-2 of the Corporate Tax Act, Income Deduction for Specialized Company, etc., and, therefore, did not recognized current tax expense, as there is practically no corporate tax to be borne by the Group.

23. EARNINGS PER SHARE:

Earnings per share for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(1) Basic earnings per share of common stock

(in Korean won, Shares)

	September 30, 2021		June 30, 2021	
Net income	₩	6,277,047,547	₩	78,904
Net income available for common shareholders		6,277,047,547		78,904
Weighted-average number of common shares outstanding		116,801,963		600,000
Basic earnings per common stock		53.74		0.13

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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(2) Calculation of weighted-average number of common shares outstanding

(in Korean won, Shares)

	September 30, 2021			
	Term	Number of shares in circulation	days	Accumulation
Beginning balance	2021.07.01~2021.09.30	600,000	92	55,200,000
Paid-in capital increase	2021.07.05~2021.09.30	100,000	88	8,800,000
Paid-in capital increase	2021.07.06~2021.09.30	107,810,266	87	9,379,493,142
Paid-in capital increase	2021.09.03~2021.09.30	46,510,266	28	1,302,287,448
Total				**10,745,780,590**
Weighted-average number of common shares outstanding				116,801,963

(in Korean won, Shares)

	June 30, 2021			
	Term	Number of shares in circulation	days	Accumulation
Capital stock of establishing	2021.03.15~2021.06.30	600,000	108	64,800,000
Total				**64,800,000**
Weighted-average number of common shares outstanding				600,000

(3) Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share as the Company has no diluted securities.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of and for the periods ended September 30, 2021, and June 30, 2021

24. OPERATING EXPENSES:

Operating expenses for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Salaries	₩	10,000	₩	-
Insurance expenses		1,562		-
Depreciation		1,973,933		-
Asset management consignment fees		874,895		-
Asset custody consignment fees		8,481		-
General affairs consignment fees		31,630		-
PM fees		49,394		-
Commission expenses		424,030		-
Deemed rent		16,931		-
Advertising expenses		210,455		-
Total	**₩**	**3,601,311**	**₩**	**-**

25. FINANCE INCOME AND EXPENSES:

Details of finance income and expenses as of September 30, 2021, and June 30, 2021, are as follows:

(1) Finance income

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Interest revenue	₩	4,270	₩	79

(2) Finance expenses

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Interest expenses	₩	7,215,731	₩	-

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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As of and for the periods ended September 30, 2021, and June 30, 2021

26. OTHER INCOME AND EXPENSES:

Details of other income and expenses as of September 30, 2021, and June 30, 2021, are as follows:

(1) Other income

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Miscellaneous revenues	₩ 1,099	₩ –

(2) Other expenses

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Miscellaneous losses	₩ –	₩ –

27. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of September 30, 2021, are as follows:

(in thousands of Korean won)

Type	Name of the related parties
Parent company	SK Inc.
Others	SK Energy Co. Ltd., SK Networks Company Limited and SK REITs Management Co., Ltd.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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(2) Significant transactions between the Company and related parties for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings	September 30, 2021	June 30, 2021
Parent company	SK Inc.	Operating revenues(*1)	₩ 9,285,874	₩ –
Others	SK Energy Co. Ltd.	Operating revenues(*2)	7,518,259	–
		Investment properties (purchase)	763,823,592	–
	SK Networks Company Limited	Investment properties (purchase)	1,582,374	–
	SK REITs Management Co., Ltd.	Asset management consignment fees	874,895	–

(*1) KRW 159,981 thousand reflected in the operating income of the unearned income has been excluded.
(*2) KRW 124,609 thousand reflected in the operating income of the unearned income has been excluded.

(3) Outstanding balances to related parties as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings	September 30, 2021	June 30, 2021
Parent company	SK Inc.	Leasehold deposits received(*1)	₩ 32,711,600	₩ –
Others	SK Energy Co. Ltd.	Leasehold deposits received(*2)	26,789,200	–
	SK REITs Management Co., Ltd.	Accounts payable	962,385	–

(*1) It is a nominal value that does not reflect the current value discount of KRW 3,047,331 thousand.
(*2) It is a nominal value that does not reflect the current value discount of KRW 4,871,837 thousand.

(4) Capital transactions between the Company and related parties for the periods ended September 30, 2021, and June 30 ,2021, are as follows:

(in thousands of Korean won)

Type	Name of the related party	Account headings		September 30, 2021	June 30, 2021
Parent company	SK Inc.	capital transaction	Paid-in capital increase	₩ 387,251,330	₩ 300,000

(5) Key management personnel compensation for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021	June 30, 2021
Key management personnel compensation	₩ 10,000	₩ –

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SK REIT CO., LTD. AND ITS SUBSIDIARIES
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As of and for the periods ended September 30, 2021, and June 30, 2021

28. COMMITMENTS:

(1) Asset management contract

1) Contract to provide operating lease to SK Inc.

The Group entered into a contract with SK REITs Management Co., Ltd. for investment management of assets, such as real estate acquisition, management, improvement and disposal, real estate development, leasing and security trading, and pays the following asset management fees.

Type	Detail
Purchase fee	Purchase price X 0.5% (VAT not included)
Asset management fees	Purchase price X 0.2%/365 (366 days in leap years) * days(Number of days of holding operating assets)
Asset management performance fee	(Dividend before commission – dividend before highest commission) * (average number of issued shares per day) * 25%
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposition price – Purchase price – Disposal fee) * 10% – Accumulated amount of asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of asset management performance fee

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a general business consignment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing-related business and management of the Group, and is paying the following general affairs consignment fees.

Type	Detail
Purchase fee	Purchase price X 0.5% (VAT not included)
Management fees	Purchase price X 0.22%/365(366 days for leap year) * Days (number of days of holding the operating asset)
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposition price – Purchase price – Disposal fee) * 10% – Accumulated amount of "Moritz" asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of "Moritz" asset management performance fee

(2) General affairs consignment contract

1) Contract to provide operating lease to SK Co., Ltd.

The Group has entered into a general business consignment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing-related business and management of the Group, and is paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	1) Before listing: KRW 11 million (VAT not included) for each closing period 2) After listing: KRW 50 million (VAT not included) for each closing period

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a general business entrustment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing-related business and management of the Group, and is paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	KRW 15 million for each closing period (VAT not included)

(3) Asset trust contract

1) Contract to provide operating lease to SK Co., Ltd.

The Group has entered into contracts with Daehan Real Estate Investment Trust Co., Ltd. and SK Securities Co., Ltd. for storage and management of assets, such as real estate, securities and cash, and is paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: KRW 1.25 million for each closing period (VAT not included) Securities, cash: KRW 5 million per closing period (VAT not included)

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a contract with Daehan Real Estate Investment Trust Co., Ltd. and SK Securities Co., Ltd. for storage and management of assets, such as real estate, securities and cash, and is paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: KRW 1.25 million (VAT not included) for each closing period Securities, cash: KRW 1.5 million (VAT not included) for each closing period

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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(4) Negotiating rights for preferential purchase

1) Contract for providing operating lease to SK Co., Ltd

The Group has the right to negotiate preferential purchase of real estate owned by SK Telecom Co., Ltd., and the details are as follows:

Asset holder	Real estate
SK Telecom Co., Ltd.	1) SKT Tower in Jung-gu 2) SK Telecom Training Center in Incheon 3) SK Planet Building in Seongnam
SK Hynix Inc.	SK U-Tower in Seongnam
SK Planet Co., Ltd.	SK Planet Building in Seongnam

- In the case where the asset holder intends to dispose of the target real estate, the right to negotiate preferential purchase can be exercised.
- Terms of the sale and the lease shall be determined by mutual communication within the scope of compliance with relevant laws, such as the Real Estate Investment Company Act.

(5) Real estate contract

1) Asset to provide operating lease to SK Co., Ltd.

The Group acquired SK Seorin Building located in Jongno-gu, Seoul on July 6, 2021, from Nonghyup Bank (trustee of Hana Alternative Investment Land Chip Private Real Estate Investment Trust No. 33) based on the real estate sales contract signed on June 30, 2021 (acquisition price: 1,003 billion won).

2) Operating Lease Assets for SK Energy Co., Ltd

Based on the real estate sales contract signed on June 22, 2021, the Group acquired 116 gas stations including SK Energy Gayang Gas Station from SK Energy Co., Ltd. and SK Networks Co., Ltd. on July 7, 2021 (acquisition price: 765.4 billion won).

(6) Liability lease agreement

1) Contract for providing operating lease to SK Co., Ltd.

Regarding the lease of SK Seorin Building, the Group entered into a five-year lease agreement (rental deposit of KRW 32,711,600 thousand and monthly rent of KRW 3,271,160 thousand) with SK Co., Ltd. from July 6, 2021, through July 5, 2026.

2) Contract for providing operating lease to SK Energy Co., Ltd.

The Group has signed a lease agreement (rental deposit of KRW 26,789,200 thousand and monthly rent of KRW 2,678,920 thousand) with SK Energy Co., Ltd. from July 7, 2021, through June 30, 2021, in connection with the lease of 116 gas stations, including SK Energy Gayang Gas Station.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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As of and for the periods ended September 30, 2021, and June 30, 2021

(7) Loan agreement

Details of the loan agreement as of September 30, 2021, are as follows:

(in thousands of Korean won)

Financial institution		Contract amount	Loan amount	Term-end interest rate (%)	maturity	Repayment method
Prior order borrowings	Standard Chartered Bank Korea Ltd.	₩ 246,100,000	₩ 246,100,000	2.08	2024-07-05	Repayment at maturity
	SK Office OneQ No. 1	60,000,000	60,000,000			
	Clean Energy OneQ No. 1	60,000,000	60,000,000			
	S Tiger K Co., Ltd.	80,000,000	80,000,000			
	S Tiger Energy Co., Ltd.	40,000,000	40,000,000			
	KOOKMIN BANK	280,000,000	280,000,000			
	Sumitomo Mitsui Banking Corporation	135,800,000	135,800,000			
	Mizuho Bank, Ltd.	150,000,000	150,000,000			
Value-added tax borrowings(*1)	Standard Chartered Bank Korea Ltd.	13,139,300	-	2.97	2021-11-24	Occasional redemption
	KEB Hana Bank	13,139,300	-			

(*1) The value-added tax borrowings were borrowed on August 24, 2021, but repayment was completed on September 16, 2021.

(8) Collateral trust contract

The Group has entered into a real estate collateral trust contract with Daehan Real Estate Investment Trust Co., Ltd. for the investment property of the Group, with eight preferred beneficiaries, including Standard Chartered Bank Korea Ltd.

(9) Brand use agreement

As of the end of the current term, the Group has entered into a brand use contract with SK Inc. and the amount equivalent to 0.2% of the Group's sales after deducting advertising expenses from sales is paid in return for the agreement.

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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29. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Details of cash flows from operating activities as of September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Profit for the period	₩	6,277,048	₩	79
adjustment:		8,900,805		(79)
Depreciation		1,973,933		–
Interest expense		7,215,731		–
rental revenue		(284,589)		–
Interest income		(4,270)		(79)
Changes in operating assets and liabilities:		60,320,394		–
Increase in other accounts receivable		(1,006,072)		–
Decrease in advance payments		170,000		–
Increase in prepaid expenses		(396,102)		–
Decrease in prepaid value added tax		17,000		–
Increase in VAT withheld		1,187,324		–
Increase in accounts payable		847,401		–
Increase in withholdings received		43		–
Increase in leasehold deposits received		59,500,800		–
Cash flows from operating activities		75,498,247		–

(2) The significant non-cash transactions for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021		June 30, 2021	
Reclassification of the current portion of long-term deferred income	₩	284,590	₩	–

SK REIT CO., LTD. AND ITS SUBSIDIARIES
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(3) Reconciliation details of liabilities arising from financial activities for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

	September 30, 2021							
	Beginning of year		Cash flows		Others (*1)		End of year	
Long-term borrowings	₩	–	₩	1,044,188,600	₩	594,414	₩	1,044,783,014

(*1) Others are present value discounts.

30. OPERATING SEGMENTS:

The Group does not disclose information for each segment as the reportable segment in accordance with K-IFRS 1108 (Operating Segments) is a single segment. Reporting data regularly reviewed by the Group's chief operating decision maker are measured in a manner consistent with the consolidated financial statements.

The Group's operating revenue was entirely domestic, and information related to external customers with whom the Group conducts transactions that amount to 10% or more of the Group's operating revenue for the periods ended September 30, 2021, and June 30, 2021, are as follows:

(in thousands of Korean won)

Customer	Type	September 30, 2021		June 30, 2021	
SK Inc.	Operating revenues(*1)	₩	9,285,874	₩	–
SK Energy Co. Ltd.	Operating revenues(*2)		7,518,259		–
Total		**₩**	**16,804,133**	**₩**	**–**

(*1) KRW 159,981 thousand reflected in the operating income of the Unearned income has been excluded.
(*2) KRW 124,609 thousand reflected in the operating income of the Unearned income has been excluded.

31. SUBSEQUENT EVENTS:

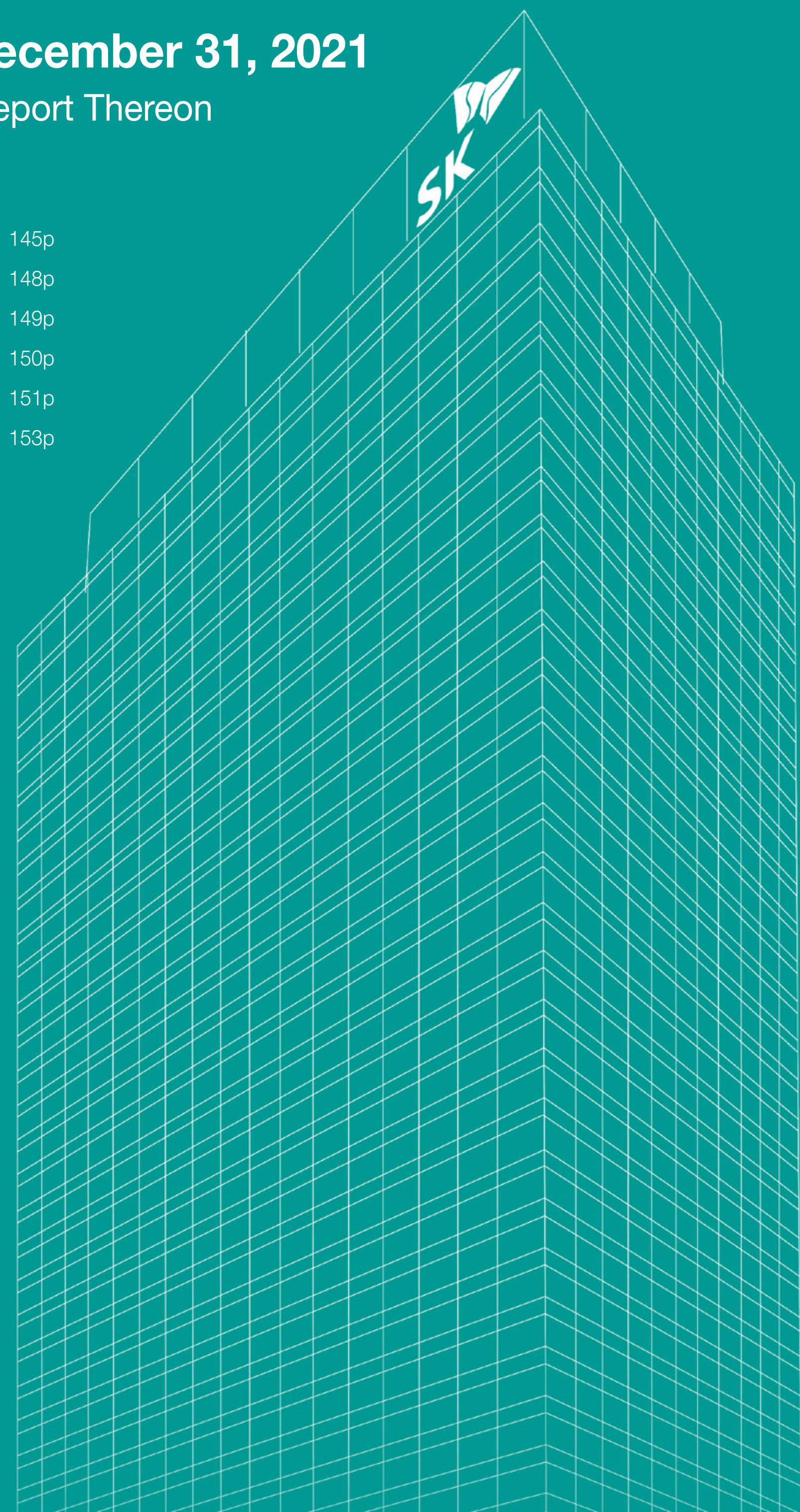
The Group acquired SK Energy Co., Ltd.'s Golden Gas Station building on November 25, 2021 (acquisition price: KRW 971,963 thousand) through the resolution of the board of directors and the extraordinary general meeting of shareholders on November 10, 2021.

SK REIT Co., Ltd. and its Subsidiaries

Consolidated Financial Statements

March 31, 2022 and December 31, 2021

With Independent Auditors' Report Thereon



SK reit

INDEPENDENT AUDITORS' REPORT

Based on a report originally issued in Korean

KPMG

To the Shareholders and Board of Directors of SK Reit Co., LTD.

Opinion

We have audited the consolidated financial statements of SK Reit Co., LTD. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of March 31, 2022 and December 31, 2021, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three-month periods then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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 Matter

Key audit matter is that matters that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the three-month period ended March 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment for Indicators of an Impairment on Investment Properties

(1) Reason for the Determination of Key audit matter, etc

As described in Note 12 to the consolidated financial statements, investment property is KRW 1,857,974 million (98.66% of total assets) and composed of SK Seorin building and many gas stations. In evaluating impairment for investment properties, the Group management's critical judgement is involved. We identified assessment of an impairment on investment properties as a key audit matter considering the risk for material misstatement on consolidated financial statement is high due to the errors that can arise from uncertainty of management's judgement.

(2) How key audit matter was addressed during the audit

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

- Evaluating the stability of future cash flows by assessment of the lease contract and existence of cash inflow of rent.
- Evaluating whether the investment properties have generated profits by normal operation.
- Assessing indicators of devaluation by confirming standard land price nearby the investment properties

INDEPENDENT AUDITORS' REPORT

Based on a report originally issued in Korean

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Based on a report originally issued in Korean

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Dae-Chul Shin.

KPMG Samjong Accounting Corp.

Seoul, Korea
May 31, 2022

This report is effective as of May 31, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK REIT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of March 31, 2022 and December 31, 2021

(In Korean won)

	Notes	March 31, 2022	December 31, 2021
Assets			
Current Assets		₩ 25,224,394,943	24,216,223,185
Cash and cash equivalents	4, 5, 6, 7	12,983,945,200	12,411,083,242
Short-term financial instruments	4, 5, 6, 8	11,000,000,000	11,000,000,000
Other current financial asset	5, 6, 9, 28	888,711,127	450,969,622
Other current asset	10	351,738,616	354,170,321
Non-current Assets		1,857,973,612,646	1,860,028,040,902
Investment properties	12, 13, 14, 17	1,857,973,612,646	1,860,028,040,902
Total assets		₩ 1,883,198,007,589	1,884,244,264,087
Liabilities			
Current liabilities		₩ 3,948,014,927	3,865,108,845
Other current financial liabilities	4, 5, 6, 15, 28	1,117,773,455	1,135,948,178
Other current liabilities	16	2,830,241,472	2,729,160,667
Non-current liabilities		1,104,383,183,299	1,103,778,855,519
Long-term borrowing	4, 5, 6, 13, 14, 17, 29	1,046,037,186,400	1,045,415,162,700
Leasehold deposits received	4, 5, 6, 13, 18, 28	52,147,953,917	51,887,268,776
Other non-current liabilities	16	6,198,042,982	6,476,424,043
Total liabilities		₩ 1,108,331,198,226	1,107,643,964,364
Equity			
Share Capital	19	77,510,266,000	77,510,266,000
Other paid-in capital	20	687,262,384,420	687,262,384,420
Retained earnings	21	10,094,158,943	11,827,649,303
Total equity		774,866,809,363	776,600,299,723
Total liabilities and equity		₩ 1,883,198,007,589	1,884,244,264,087

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

SK REIT CO., LTD AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2022 and December 31, 2021

(In Korean won)

	Notes	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Operating revenues	12, 24, 28	₩ 18,587,055,903	18,579,453,134
Operating expenses	12, 25, 28	3,246,113,255	3,376,107,897
Operating income		15,340,942,648	15,203,345,237
Financial income	6, 26	(6,238,823,653)	(6,428,039,471)
Financial revenues		45,904,068	19,399,086
Financial expense		6,284,727,721	6,447,438,557
Other income	27	34,626,028	44,923
Other revenues		34,626,028	44,923
Other expense		–	–
Profit before income tax expense		9,136,745,023	8,775,350,689
Income tax expenses	22	–	–
Profit for the period		₩ 9,136,745,023	8,775,350,689
Other comprehensive income for the period		–	–
Total comprehensive income for the period		₩ 9,136,745,023	8,775,350,689
Earnings per share			
Basic and diluted earnings per share	23	59	57

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

SK REIT CO., LTD AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2022 and December 31, 2021

(In Korean won)

	Share capital	Other paid-in capital	Retained earnings	Total equity
Balance as of October 1, 2021	**₩ 77,510,266,000**	**687,994,835,422**	**10,690,920,515**	**776,196,021,937**
Total comprehensive income :				
Profit for the period	–	–	8,775,350,689	8,775,350,689
Transactions with owners :				
Dividends	–	–	(8,250,980,903)	(8,250,980,903)
Other capital surplus to retained earnings	–	(612,359,002)	612,359,002	–
Others	–	(120,092,000)	–	(120,092,000)
Balance as of December 31, 2021	**₩ 77,510,266,000**	**687,262,384,420**	**11,827,649,303**	**776,600,299,723**
Balance as of January 1, 2022	**₩ 77,510,266,000**	**687,262,384,420**	**11,827,649,303**	**776,600,299,723**
Total comprehensive income :				
Profit for the period	–	–	9,136,745,023	9,136,745,023
Transactions with owners :				
Dividends	–	–	(10,870,235,383)	(10,870,235,383)
Balance as of March 31, 2022	**₩ 77,510,266,000**	**687,262,384,420**	**10,094,158,943**	**774,866,809,363**

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

SK REIT CO., LTD AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2022 and December 31, 2021

(In Korean won)

	Notes	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Cash flows from operating activities:			
Cash provided by operating activities	30	₩ 16,796,686,302	18,168,207,645
Interest incomes received		48,299,331	9,358,657
Interest expenses paid		(5,394,950,132)	(5,549,132,269)
Income taxes paid		(6,938,160)	(1,419,930)
Net cash from operating activities		**11,443,097,341**	**12,627,014,103**
Cash flows from investing activities:			
Cash inflows from investing activities		–	–
Cash outflows from investing activities		–	(12,034,779,765)
Payment for acquisitions of short-term financial assets		–	11,000,000,000
Payment for acquisitions of investment property (building)		–	1,034,779,765
Net cash used in operating activities		**–**	**(12,034,779,765)**
Cash flows from financing activities:			
Cash inflows from financing activities		–	–
Cash outflows from financing activities		(10,870,235,383)	(8,371,072,903)
Dividends paid		10,870,235,383	8,250,980,903
Others	21	–	120,092,000
Net cash used in financing activities		**(10,870,235,383)**	**(8,371,072,903)**
Net increase (decrease) in cash and cash equivalents		572,861,958	(7,778,838,565)
Cash and cash equivalents, at the beginning of the period		12,411,083,242	20,189,921,807
Cash and cash equivalents at the end of the period		₩ 12,983,945,200	12,411,083,242

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

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of March 31, 2022 and December 31, 2021

1. THE GROUP

The consolidated financial statements of SK REIT Co., Ltd. ("Controlling company") and its subsidiaries (collectively referred to as "the Group") have been prepared in accordance K-IFRS 1110, 'Consolidated financial statements'.

The Controlling company was established on March 15, 2021 under the Real Estate Investment Companies Act of the Republic of Korea. The Controlling company is mainly engaged in providing its shareholder with returns earned from investing and managing investment properties, including real estate acquisition, maintenance, improvement, disposal, development, and trade of real estate lease securities. The Controlling company's head office has located in 136, Sejong-daero, Jung-gu, Seoul, Korea, and listed to KRX KOSPI Market on September 14, 2021.

The Controlling company's major shareholders and their respective shareholdings as at March 31, 2022, are as follows:

Name of Shareholders	Number of shares	Types of shares	Percentage of ownership (%)
SK Inc.	77,510,266	Ordinary shares	50.00
Shinhan Bank (Trustee of IGIS REIT Portfolio Specialized Investment Type Private Real Estate Investment Trust No.1 Co., Ltd)	9,400,000	Ordinary shares	6.06
Korean Federation of Community Credit Cooperatives	9,400,000	Ordinary shares	6.06
Others	58,710,266	Ordinary shares	37.88
	155,020,532		**100.00**

Consolidated subsidiaries and current status

The group is engaged in real estate leasing. Meanwhile, the status of subsidiaries included in the consolidated financial statements as of March 31, 2022, and December 31, 2021, is as follows.

Name of Shareholders	Main business	Country of domicile	Percentage of Ownership (%)		Reporting period end
			March 31, 2022	December 31, 2021	
Clean Energy REIT Co., Ltd	Investing real estate	Korea	100.00	100.00	End of March, June, September and December

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed under article 5 paragraph 1 item 1 of the Act on External Audit of Stock Companies. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for the new and amended IFRS standards adopted by the Group and the following paragraphs below.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

Consolidated financial statements are prepared on the basis of historical cost, except for certain non-current assets and financial assets measured at the revalued amount or at fair value at the end of each reporting period as explained in the accounting policy below. Historical costs are generally measured at the fair value of consideration received to acquire an asset.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-Based Payment; leasing

transactions that are within the scope of K-IFRS 1116 'Leases; and measurements' that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

Management has a reasonable expectation that at the time of approval of the financial statements, the Group will have sufficient resources to survive as a going concern for the foreseeable future period. Therefore, the management prepared the financial statements on the premise of the going concern.

1) Accounting standards and interpretations that have been newly applied for the period ended March 31, 2022, and have no important impact on financial statements are as follows:

- K-IFRS 1103 'Business Combinations' (Amendment)

The amendment updates K-IFRS 1103 so that it refers to the latest version of the Conceptual Framework (2018) instead of the previous version of the Framework (2007). K-IFRS 1103 is updated to require, for obligations within the scope of K-IFRS 1037, an acquirer to apply K-IFRS 1037 to determine whether a present obligation exists on the acquisition date as a result of past events. As for a levy that lies within the scope of K-IFRS 2121 Levies, the acquirer should apply K-IFRS 2121 to determine whether an obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendment also adds an explicit statement that an acquirer share not recognize contingent assets acquired in a business combination.

- K-IFRS 1016 'Property, Plant and Equipment' (Amendment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment produced before available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendment also clarifies the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies assessing whether the technical and physical performance of an asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income as items produced are not outputs of the entity's ordinary activities, the Group should disclose the accounts where such proceeds and cost are included.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

The amendments are applied retrospectively, but only to the items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

– K-IFRS 1037 'Onerous Contracts—Cost of Fulfilling a Contract' (Amendment)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g., direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g., allocation of the depreciation of property, plant and equipment used in fulfilling the contract).

The amendment applies to contracts that include any kinds of obligations the entity has not yet fulfilled at the beginning of the reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

–Annual Improvements to K-IFRS Standards 2018-2020 Cycle

The Annual Improvements include amendments to K-IFRS 1101 First-time Adoption, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 'First-time Adoption'
The amendments provide additional exemptions regarding the accounting for cumulative translation differences in subsidiaries that become first-time adopters after the controlling company. A subsidiary applying the exemption in paragraph D16(1) of K-IFRS 1101 may choose to measure the cumulative conversion difference between all foreign operations at the carrying amount included in the parent's consolidated financial statements on the basis of the parent's transition date. However, this excludes the effectiveness of business combinations in which a parent acquires a subsidiary and adjustments to the consolidation procedures. A similar choice may be made if an associate or joint venture applies the exemption in paragraph D16(1) of K-IFRS 1101.

② K-IFRS 1109 'Financial Instruments'
The amendment clarifies that when applying the '10%' test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment is applied prospectively to changes and exchanges that occurred after the date of initial application.

③ K-IFRS 1116 'Leases'
The amendment removes the details of the lease improvement reimbursement illustration in Example 13 of IFRS 16. The amendment is only relevant to the illustrative example.

2) The followings are new and revised K-IFRS Standards that have been issued but are neither effective nor early adopted by the Group. These standards do not have significant effect on the Group's financial statements.

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

– K-IFRS 1001 'Classification of Liabilities as Current or Non-current' (Amendment)
The amendment to K-IFRS 1001 affects only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendment clarifies that the classification of liabilities as current or non-current is based on the rights that exist at the end of the reporting period and emphasizes that classification is unaffected by the expectations of the entity to exercise the delay of settlement. It also explains that the rights exist when the borrowing commitment is complied and defines 'settlement' to make clear that settlement refers to extinguishment of a liability through a transfer of cash, equity instruments, other assets or services to the counterparty.

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

– K-IFRS 1001 'Accounting Policy Disclosure' (Amendment)
The amendment does not affect the amount of assets, liabilities and gains or losses, time of recognition, or disclosure of these items. This amendment amended IAS 2 Accounting Policy Disclosure to define and disclose important accounting policies and to provide guidance on how to apply the concept of materiality.

The amendments apply for annual periods beginning on or after 1 January 2023. Early application is permitted.

– K-IFRS 1008 Definition of Changes in Accounting Estimates (Amendment)
The amendment does not affect the amount of assets, liabilities and gains or losses, time of recognition, or disclosure of these items. The amendment clarifies the method to define accounting estimates and to differentiate changes in accounting estimates from changes in accounting policies.

The amendments apply for annual periods beginning on or after 1 January 2023. Early application is permitted.

(2) Consolidated accounting standards

The Group prepares consolidated financial statements by consolidating the financial statements of the Controlling company and other entities controlled by the Controlling company (or its subsidiaries).

The Group determines that control exists when all three factors are satisfied: 1) power over an investee, 2) exposure or rights to fluctuating profits due to involvement in the investee and 3) the ability to use its power against an investee to affect the investor's profit. In addition, if there are facts and circumstances that indicate that there is a change in one or more of the three elements of control, the entity reassesses whether it controls the investee.
Even if the Group holds less than a majority of the voting rights of the investee, it is determined that the Group has power over the investee if it has enough voting rights to have the practical ability to unilaterally direct the relevant activities of the investee. When assessing whether the voting rights held by the Group are sufficient to grant the power over the investee, all relevant facts and circumstances, including the following, are considered:

- The relative size of voting rights and the degree of share dispersion of shareholders
- Potential voting rights held by the Group, other voting rights holders or other parties
- Rights arising from contractual arrangements
- Additional facts and circumstances that indicate whether the Group has the current ability to direct the relevant activities at the time the decision is to be made, including voting patterns at past shareholders' meetings

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

The consolidation of subsidiaries begins when the Controlling company acquires control of the subsidiary and ceases when the Controlling company loses control of the subsidiary. In particular, the revenues and expenses related to subsidiaries acquired or disposed during the period are included in the consolidated statements of comprehensive income from the date when the acquisition is virtually completed or until the date when the disposal is substantially completed. The components of net profit and loss and other comprehensive income are attributed to the owners of the parent and the non-controlling interests, and total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if the non-controlling interests have a negative balance.

If an entity that comprises the Group uses a different accounting policy from the one adopted in the consolidated financial statements for the same transactions or events that occurred in similar circumstances, the consolidated financial statements are prepared by amending the financial statements of that entity.

All intragroup transactions, related assets and liabilities, income and expenses are eliminated in the preparation of consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. If the element of a non-controlling interest in the acquiree at the acquisition date is its current interest and entitles the holder to a proportionate share of the entity's net assets at liquidation, such non-controlling interest can be measured either at fair value or by a proportionate share of the equity instruments currently recognized for the acquiree's identifiable net assets at the acquisition date. The choice of these metrics is made for each acquisition transaction. All other non-controlling interests are measured at their fair value at the acquisition date. The carrying amount of the non-controlling interest after the acquisition is the amount initially recognized and reflects the proportionate interest of the non-controlling interest in the changes in equity since the acquisition. Total comprehensive income is attributable to non-controlling interests even if the non-controlling interests have negative balances.

Changes in ownership interests in subsidiaries that do not lose control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interests of the Group is adjusted to reflect the relative changes in interest in the subsidiaries. The difference between the adjustment amount of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

If the controlling company loses control of the subsidiary, it accounts for the difference between (i) the consideration received and the fair value of the equity interests held and (ii) the subsidiary's assets (including goodwill) and liabilities and the carrying amount of the non-controlling interests in disposal profit or loss. The Group accounts for the amounts previously recognized in other comprehensive income in relation to its subsidiaries on the same basis as if the related assets or liabilities were directly disposed of (i.e., reclassified to profit or loss or replaced directly with retained earnings).The fair value of an investment in a subsidiary before the date of loss of control is regarded as the fair value at initial recognition of a financial asset in accordance with K-IFRS 1109 'Financial Instruments' or, where appropriate, as cost at initial recognition of an investment in an associate or a joint venture.

(3) Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 Share-Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's PHI in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's PHIs in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognized in other comprehensive income are reclassified to profit or loss by the method that would be appropriate if those interests were disposed.

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

SK REIT CO., LTD AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements, Continued
As of March 31, 2022 and December 31, 2021

(4) Cash and cash equivalents

Cash and cash equivalents include cash held, bank deposits, and other highly liquid short-term investments that are due within three months as of the acquisition date.

(5) Revenue recognition

The Group, a real estate investment company under the Real Estate Investment Company Act, recognizes the lease income from the provision of operating lease for investment property systematically reflecting the utility elimination by using property over the lease period. Therefore, it is not within the scope of IFRS 15 Revenue from Contracts with Customers.

(6) Lease

The Group classifies each lease as either an operating lease or a financial lease. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as financial leases, and leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying assets are classified as operating leases.

If the Group is an intermediate lessor, the Group accounts for the head lease and the sublease as two separate contracts. The Group classifies all subleases as financial leases or operating leases by reference to the right-to-use assets arising from the head leases, rather than by reference to the underlying assets.

The Group recognizes the lease payment from the operating lease as income on either a straight line basis or other systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefits from the use of the underlying asset is diminished. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term.

In case of a financial lease, the amount to receive from the lessee is recognized as a receivable as a net investment in the lease of the Group. The Group allocates financial income over the lease term, based on a pattern reflecting a constant periodic rate of return on The Group's net investment in the lease.

After initial recognition, the Group reviews regularly estimated unguaranteed residual value and applies the derecognition and impairment requirements in IFRS 9 to recognize the expected credit losses on lease receivables as a loss allowance.

Financial lease income is calculated by referring to the total carrying amount of the lease receivable. However, in case of financial lease receivable with damaged credit, financial income is calculated by referring to the amortized cost (i.e., the amount after deducting the loss allowance).

If a contract contains lease or non-lease components, The Group applies IFRS 15 to allocate the consideration in the contract to each component.

(7) Foreign currency conversion

Consolidated financial statements are represented in the currency (functional currency) of the principal economic environment in which the entity operates. In order to prepare consolidated financial statements, companies' management performance and financial status are expressed in 'won', which is the functional currency of the consolidated entity and the presentation currency for preparing consolidated financial statements.

SK REIT CO., LTD AND ITS SUBSIDIARIES
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In preparing consolidated financial statements, transactions made in currency (foreign currency) other than the functional currency of the company are recorded at the exchange rate of the transaction date. Monetary foreign currency items as of the end of the current term are being converted into exchange rates as of the end of the current term. On the other hand, non-monetary foreign currency items measured at fair value are converted to the exchange rate at the date the fair value is determined, but non-monetary foreign currency items measured at historical costs are not converted again.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until they are substantially ready for their intended use or sale.

To the extent that variable-rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate."

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(9) Investment properties

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

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. The portion substituted by subsequent expenses is removed. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 30 to 40 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from even the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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(10) Income tax and deferred tax

Income tax expense for the period consists of current and deferred tax. It is recognized directly in other comprehensive income or other equity items if related to themselves. Except for these items, it is recognized in profit of loss.

Corporate tax expenses are measured based on tax laws enacted or substantially enacted as of the end of reporting period.

The management periodically evaluates the tax policy applied by the Group when reporting tax in situations where applicable tax law regulations may vary depending on interpretation. The Group recognizes current corporate tax expenses based on the amount expected to be paid to the tax authorities.

Deferred tax is recognized as the expected corporate tax effect when recovering or settling the carrying amount for a temporary difference between the carrying amount and the tax base amount of assets and liabilities. Deferred tax assets and liabilities that arise when assets and liabilities are first recognized in transactions other than business combinations are not recognized unless the transaction affects accounting income or taxable income. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and The Group intend to settle current tax liabilities and assets on a net basis.

Under the Article 51-2 of Corporate Tax Law of the Republic of Korea, Income Deduction for Special Purpose Companies, etc., if the Group payouts 90% and more of its profit available for dividends as dividends, the Group shall be entitled to deduct such amount from its taxable income for the fiscal year.

In addition, due to the uncertainty of future taxable income, deferred tax assets for temporary differences to be deducted in the future were not recorded as of March 31, 2022.

(11) Financial instruments

Financial assets and liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value upon initial recognition, excluding trade receivables that do not contain a significant financial component.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(12) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset are cash flows that are Solely Payment Principal and Interest on the outstanding ("SPPI").
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):
- The financial asset is held within a business model of which objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset are cash flows that are Solely Payment Principal and Interest on the outstanding ("SPPI").

Except for above, all other financial assets are measured subsequently at FVTPL.
Despite the above, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met).
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2) Gains(losses) on foreign currency translation

The carrying amount of financial assets expressed in foreign currency is calculated in foreign currency and converted into a spot exchange rate at the end of the current period.

- For financial assets measured at amortized cost (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item.
- For debt instruments measured at fair value through other comprehensive income (excluding the portion designated as a hedging relationship), the difference in the exchange rate of amortized cost of the debt instrument is recognized in profit or loss in the 'other non-operating profit or loss' Because the foreign currency component recognized in profit or loss is the same as measured at amortized cost, the residual foreign currency component based on the translation of the carrying amount (fair value) is recognized in other comprehensive income in the cumulative valuation gain or loss item.
- For financial assets measured at fair value through profit or loss (excluding the portion designated as a hedging relationship), the exchange rate difference is recognized in profit or loss in the 'other non-operating profit or loss' item as part of the gain or loss due to changes in fair value.
- For equity instruments measured at fair value through other comprehensive income, the accumulated valuation gain or loss item is recognized in other comprehensive income.

3) Impairment of financial assets

The Group recognizes a loss allowance for Expected Credit Losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit-loss experience, adjusted for

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factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For financial assets other than this, lifetime expected credit losses are recognized if credit risk increases significantly after initial recognition. However, if the credit risk of a financial asset has not increased significantly since initial recognition, the Group measures the expected credit loss of the financial instrument at the equivalent of a 12-month expected credit loss.

Lifetime expected credit losses refer to expected credit losses resulting from all possible default events in the expected life of a financial instrument. Conversely, 12-month expected credit losses refer to some of the expected lifetime expected credit losses due to defaults on financial instruments that may occur within 12 months after the end of the current term.

4) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the financial assets and liabilities for received considerations.
Upon derecognizing financial asset that is measured at amortized cost, the difference between the carrying amount of the asset and the sum of the consideration received or to be received is recognized in profit or loss. Upon derecognizing investment in debt instruments measured at fair value through other comprehensive income, the accumulated gains and losses previously recognized are reclassified to profit or loss. On the other hand, investments in equity instruments designated as fair value items through other comprehensive income at initial recognition do not reclassify the accumulated gains or losses previously recognized in profit or loss, but are replace with retained earnings.

(13) Financial liabilities and equity instruments

1) Classification as financial liabilities or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.
However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

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4) Financial liabilities at FVTPL

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

5) Financial liabilities measured subsequently at amortized cost

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments

(including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

6) Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the principles of IFRS 9 'Financial Instruments'
- the amount initial recognized less the cumulative amount of income recognized in accordance with the principles of IFRS 15 'Revenue from Contracts with Customers'

7) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, canceled or have been expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, are at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

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(14) Operating segment

Information for each operating segment is disclosed based on how it is reported internally to the chief operating decision maker (see note 31). The chief operating decision maker is responsible for assessing the resources to be allocated to the segment and for its performance, and the Group considers the board of directors that makes strategic decisions as the chief decision maker. The Group consists of a single operating segment of which main business purpose is the real estate rental business.

(15) Application of special provisions under the Real Estate Investment Companies Act: Exclusion of the obligation to reserve profit reserves and extra dividends

The Group does not reserve profit reserves because Article 458 of the Commercial Act, which stipulates the obligation to reserve profit reserves at the time of profit distribution, is excluded by the Real Estate Investment Company Act in effect as of the closing date. In addition, Article 462 of the Commercial Act is excluded under the Real Estate Investment Company Act, and dividends may exceed annual profits within the limit of depreciation expenses for the relevant year.

(16) Approval of issuance of consolidated financial statements

These consolidated financial statements have been approved by the board of directors on April 19, 2022, and can be revised and approved at the shareholders' meeting on June 9, 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group is estimating and assuming the future. Estimates and assumptions are continuously evaluated and taken into account future events that are reasonably predictable considering past experience and current circumstances. These accounting estimates may differ from the actual results. Estimates and assumptions of significant risks that may affect the adjustment of asset and liability carrying amounts in the next fiscal year are as follows:

(1) Corporate tax

Since corporate tax on taxable income of the consolidated entity is calculated by applying the tax law and the decision of the tax authorities, there is uncertainty in calculating the final tax effect.

(2) Fair value of investment properties

In order to estimate the fair value of investment properties, the Group uses a valuation technique that utilizes non-observable inputs.

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4. FINANCIAL RISK MANAGEMENT

(1) Financial risk management factors

The Group's financial assets and liabilities are exposed to various risks including market risk(foreign exchange risk, price risk, and cash flow or fair value risk), credit risk and liquidity risk. The Group's financial risk management focuses on minimizing these risks that may have negative impact on financial performance.

Risk management is carried out by asset management companies in accordance with the risk management policy approved by the board of directors and identifies, evaluates, and avoids financial risks.

1) Market Risk

As the Group's interest-bearing assets are not material, the income and operating cash flows of the Group are substantially independent of the market interest rate. The risk of interest rate fluctuations for the Group mainly comes from its borrowings. However, the Group is not exposed to cash flow and fair value interest rate risk due to loans issued at fixed interest rates of KRW.

2) Credit Risk

The Group is exposed to credit risk when counterparties fail to pay the following amounts within their maturity ;
- Payment of accounts receivable within 60 days from invoice issuance
- Contractual cash flows of debt instruments measured at amortized costs
- Contractual cash flows of debt instruments measured at fair values through other comprehensive income

On the other hand, separate disclosures were omitted in case that the carrying amount of financial assets exposed to Group's credit risk is most representative of the maximum exposure to credit risk.

① Trade receivable and contract assets
The Group applies an expedient that recognizes lifetime expected credit losses as loss allowance for trade receivables and contracted assets. To measure the expected credit losses, trade receivables and contract assets were categorized based on their credit risk characteristics and overdue dates. Trade receivables and contract assets do not exist as of March 31, 2022. Accordingly, the loss allowance is not recognized.

② Other financial assets measured at amortized cost
Other financial assets measured at amortized cost are cash and cash equivalents and other receivables(non-trade receivables and interest receivable on financial instruments). The Group does not recognize any loss allowance for those other financial assets measured at amortized cost.

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3) Liquidity Risk

Liquidity risk management includes the maintenance of sufficient cash and marketable securities, the financial capacity by appropriately agreed lines of credit and ability to settle market positions. Through active operating activities, The Group maintains its financial capacity flexibly within the Group's credit limit.

Details of financial liabilities classified by residual maturity as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022			
	Within 1 year	1 year ~ 5 years	Over 5 years	Total
Non-trade payables	₩ 1,117,773	–	–	1,117,773
Long-term borrowings (*1)(*2)	21,879,520	1,079,585,432	–	1,101,464,952
Leasehold deposits received (*2)	–	32,711,600	26,828,680	59,540,280
	₩ 22,997,293	**1,112,297,032**	**26,828,680**	**1,162,123,005**

(*1) The amount includes interest to be paid in the future.
(*2) The maturity amount under the remaining contract is the contractual cash flow that is not discounted.

(In thousands of Korean won)

	December 31, 2021			
	Within 1 year	1 year ~ 5 years	Over 5 years	Total
Non-trade payables	₩ 1,135,948	–	–	1,135,948
Long-term borrowings (*1)(*2)	21,879,521	1,084,980,382	–	1,106,859,903
Leasehold deposits received (*2)	–	32,711,600	26,828,680	59,540,280
	₩ 23,015,469	**1,117,691,982**	**26,828,680**	**1,167,536,131**

(*1) The amount includes interest to be paid in the future.
(*2) The maturity amount under the remaining contract is the contractual cash flow that is not discounted.

(2) Capital risk management

The primary objective of the Group's capital management is to maintain its ability to continuously provide return to its shareholders and stakeholders and to optimize its capital structure to reduce capital costs.

The Group adopted debt-to-equity ratio for the capital management index, which is calculated by dividing total liabilities over total capital. To maintain or modify capital structure, the Group manages dividends, returns the funds for shareholders, issues new shares and sells assets to reduce liabilities.

Like other companies within industry, the Group manages the capital using capital funding ratio, which is computed by dividing net borrowings by total capital. Net borrowings are subtraction of cash and cash equivalents and short-term financial instruments from total borrowings on financial statement. Total capital is the sum of equity in financial statement and net borrowings.

Capital funding ratio as at March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022	December 31, 2021
Liabilities	₩ 1,046,037,186	1,045,415,163
Less: cash and cash equivalents and short-term financial instruments	23,983,945	23,411,083
Net borrowings	1,022,053,241	1,022,004,080
Total equity	1,796,920,050	1,798,604,380
Capital funding ratio	56.9%	56.8%

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5. FINANCIAL INSTRUMENTS FAIR VALUE

The details of the fair value of financial instruments as of March 31, 2022 and December 31, 2021, are as follows:

(1) Fair Value by Type of Financial Instrument

(In thousands of Korean won)

	March 31, 2022			December 31, 2021	
		Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents (*)	₩	12,983,945	12,983,945	12,411,083	12,411,083
Short-term financial instruments (*)		11,000,000	11,000,000	11,000,000	11,000,000
Other current financial assets (Accrued income) (*)		888,711	888,711	450,970	450,970
	₩	**24,872,656**	**24,872,656**	**23,862,053**	**23,862,053**
Financial liabilities					
Other accounts payables (*)	₩	1,117,773	1,117,773	1,135,948	1,135,948
Long-term borrowings (*)		1,046,037,186	1,046,037,186	1,045,415,163	1,045,415,163
Leasehold deposits received (*)		52,147,954	52,147,954	51,887,269	51,887,269
	₩	**1,099,302,913**	**1,099,302,913**	**1,098,438,380**	**1,098,438,380**

(*) The book value of a financial instrument is judged to be similar to its fair value.

(2) Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value are categorized according to the fair value hierarchy and defined levels are as follows:

- The quoted price (unadjusted) in active markets for identical assets or liabilities that The Group can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Unobservable inputs for the asset or liability (Level 3)

As of March 31, 2022, the Group's financial instruments are cash and cash equivalents, other receivables, loans and rent deposits, which are excluded from the disclosure of the fair value hierarchy because their book values were estimated to be reasonable approximations of fair values.

(3) The Group recognizes transfers between levels at the time when the events or changes in circumstances that cause the transfers between levels.

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6. FINANCIAL INSTRUMENTS

(1) Book value by Category of Financial Instruments

1) Financial Assets

(In thousands of Korean won)

	Financial assets at amortized cost		
		March 31, 2022	December 31, 2021
Cash and cash equivalents	₩	12,983,945	12,411,083
Short-term financial instruments		11,000,000	11,000,000
Other current financial assets (Accrued income)		888,711	450,970
	₩	**24,872,656**	**23,862,053**

2) Financial Liabilities

(In thousands of Korean won)

	Financial liabilities at amortized cost		
		March 31, 2022	December 31, 2021
Other current liabilities (Accounts payables)	₩	1,117,773	1,135,948
Long-term borrowings		1,046,037,186	1,045,415,163
Leasehold deposits received		52,147,954	51,887,269
	₩	**1,099,302,913**	**1,098,438,380**

(2) Net Income by Category of Financial Instruments

(In thousands of Korean won)

		For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Financial assets measured at amortized cost			
Interest incomes	₩	45,904	19,399
Financial liabilities measured at amortized cost			
Interest expenses		6,284,728	6,447,439

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7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, 2022 and December 31, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	March 31, 2022	December 31, 2021	Note
Cash and cash equivalents	Standard Chartered Bank Korea Ltd., etc.	₩ 12,983,945	12,411,083	Pledge establishment(*)

(*) However, the deposit and withdrawal of the operating account among the accounts held by the group are allowed freely except in cases where profits of period are lost or restricted by a large number of lenders with their rational judgements.

8. SHORT-TERM FINANCIAL INSTRUMENTS

Short-Term financial instruments as of March 31, 2022 and December 31, 2021, are as follows:

(in thousands of Korean won)

	Financial institution	March 31, 2022	December 31, 2021	Note
Time deposits	Kookmin Bank	₩ 11,000,000	11,000,000	Pledge establishment

9. OTHER FINANCIAL ASSET

Other financial assets as at March 31, 2022 and December 31, 2021, are as follows:

(in thousands of Korean won)

	March 31, 2022		December 31, 2021	
	Current	Non-Current	Current	Non-Current
Accrued income	₩ 888,711	-	450,970	-

10. OTHER ASSET

Other assets as at March 31, 2022 and December 31, 2021, are as follows:

(in thousands of Korean won)

	March 31, 2022		December 31, 2021	
	Current	Non-Current	Current	Non-Current
Prepaid expenses	342,860	-	352,229	-
Advanced tax	8,879	-	1,941	-
	₩ 351,739	-	₩ 354,170	-

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11. SUBSIDIARIES

(1) Details of the Group's investments in subsidiaries as of March 31, 2022 and December 31, 2021, are as follows:

Company name	Main business	Country	Percentage of Ownership(%)		Reporting period end
			March 31, 2022	December 31, 2021	
Clean Energy REIT Co., Ltd.	Real estate investment	Korea	100	100	End of March, June, September and December

(2) Summaries of financial position of the subsidiary as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	Clean Energy REIT Co., Ltd	
	March 31, 2022	December 31, 2021
Current assets	₩ 11,479,195	11,021,940
Non-current assets	807,210,602	807,560,425
Total assets	**818,689,797**	**818,582,365**
Current liabilities	1,759,000	1,667,889
Non-current liabilities	473,866,643	473,609,971
Total liabilities	**475,625,643**	**475,277,860**
Shareholders' equity	343,064,154	343,304,505
Non-controlling equity	-	-
Total capital	**₩ 343,064,154**	**343,304,505**

The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

(3) Summaries of financial performance of the subsidiary as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	Clean Energy REIT Co., Ltd	
	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Sales	₩ 8,299,013	8,291,410
Operating income	7,429,871	7,411,308
Net income	4,785,881	4,673,833
Other comprehensive income (loss)	–	–
Comprehensive income	**₩ 4,785,881**	**4,673,833**

The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the parent company, but the amount before the internal transaction is removed.

(4) Summary of financial cash flows of the subsidiary as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	Clean Energy REIT Co., Ltd	
	March 31, 2022	December 31, 2021
Cash Flows from operating activities	₩ 5,356,322	5,398,065
Cash Flows used in investing activities	–	(1,034,780)
Cash Flows used in financing activities	(5,026,232)	(4,413,873)
Net increase (decrease) in cash and cash equivalents	330,090	(50,588)
Cash and cash equivalents, beginning of the period	10,739,783	10,790,371
Cash and cash equivalents, end of the period	₩ 11,069,873	10,739,783

The above summary management performance is the amount after reflecting the adjustment of accounting policy differences with the controlling company, but the amount before the internal transaction is removed.

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12. INVESTMENT PROPERTIES

(1) The investment property of the group is evaluated in a cost model.

(2) Investment properties as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying value	Acquisition cost	Accumulated depreciation	Carrying value
Land	₩ 1,545,010,200	–	1,545,010,200	1,545,010,200	–	1,545,010,200
Buildings	319,086,659	(6,123,246)	312,963,413	319,086,659	(4,068,818)	315,017,841
	₩ 1,864,096,859	**(6,123,246)**	**1,857,973,613**	**1,864,096,859**	**(4,068,818)**	**1,860,028,041**

(3) Changes in investment properties for the three–month periods ended March 31, 2022 and December 31, 2021 are as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022			
	Beginning balance	Acquisitions	Depreciation	Ending balance
Land	₩ 1,545,010,200	–	–	1,545,010,200
Buildings	315,017,841	–	(2,054,428)	312,963,413
	₩ 1,860,028,041	**–**	**(2,054,428)**	**1,857,973,613**

(In thousands of Korean won)

	For the three-month period ended December 31, 2021			
	Beginning balance	Acquisitions	Depreciation	Ending balance
Land	₩ 1,545,010,200	–	–	1,545,010,200
Buildings	316,077,946	1,034,780	(2,094,885)	315,017,841
	₩ 1,861,088,146	**1,034,780**	**(2,094,885)**	**1,860,028,041**

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(4) Revenues and expenses related to investment properties for the periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

		For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Operating revenues (*1)	₩	18,587,056	18,579,453
Operating expenses (*2)		3,026,505	3,086,870

(*1) Operating revenues consist of rental income.
(*2) Operating expenses consist of depreciation expense, asset custody consignment fees, asset management consignment fees, and real estate management consignment fees.

(5) Fair Value of Investment Properties

1) Among the investment properties, the fair values as of March 31, 2022 and December, 31, 2021, of SK Seorin Building, which is provided for operating leases to SK Inc, are as follows:

(In thousands of Korean won)

		March 31, 2022		December 31, 2021	
		Book value	Fair value (*)	Book value	Fair value (*)
Land	₩	779,333,004	781,292,000	779,333,004	781,292,000
Building		271,430,006	274,508,000	273,134,612	274,508,000
	₩	**1,050,763,010**	**1,055,800,000**	**1,052,467,616**	**1,055,800,000**

(*) The fair value of the investment property was determined on the basis of an evaluation conducted by the Kyung-il Appraisal Corporation, an independent external entity with appropriate qualifications and experience in relation to the local property assessment. (Evaluation date: November 30, 2021)

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2) Among the investment properties, the fair values as of March 31, 2022 and December, 31, 2021, at the gas stations provided for operating leases to SK Energy Co., Ltd. are as follows:

(In thousands of Korean won)

		March 31, 2022		December 31, 2021	
		Book value	Fair value (*)	Book value	Fair value (*)
Land	₩	765,677,197	769,909,332	765,677,197	769,909,332
Building		41,533,405	44,081,992	41,883,228	44,081,992
	₩	**807,210,602**	**813,991,324**	**807,560,425**	**813,991,324**

(*) The fair value of the investment property was determined on the basis of an evaluation conducted by the Kyung-il Appraisal Corporation, an independent external entity with appropriate qualifications and experience in relation to the local property assessment. (Evaluation base date: November 30, 2021)

(6) Operational lease Provision Details

1) Details of provision to SK Inc.

The Group enters into a contract with SK Inc. to provide operating leases for its investment real estate, and the depreciation expense of the operating lease assets are KRW 1,704,606 thousands and KRW 1,742,485 thousands, respectively, during the current and prior periods.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

(In thousands of Korean won)

		March 31, 2022	December 31, 2021
Within 1 year	₩	39,695,527	39,548,324
1 year ~ 2 years		40,290,959	40,141,549
2 year ~ 3 years		40,895,324	40,743,672
3 year ~ 4 years		41,508,754	41,354,828
4 year ~ 5 years		10,415,670	20,831,340
	₩	**172,806,234**	**182,619,713**

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In addition, the rental income recognized in relation to the operating lease during the current and prior periods is as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Rental income	₩ 10,288,043	10,288,043

2) Details of provision to SK Energy Co., Ltd

The Group has a contract with SK Energy Co., Ltd. to provide operating leases for its investment real estate, and the depreciation expense of the operating lease assets are KRW 349,823 thousands and KRW 352,399 thousands, respectively, during the current and prior periods.

On the other hand, the details of the future minimum lease fee expected to be received by the Group as of the end of the reporting periods for the above investment property are as follows:

(In thousands of Korean won)

	March 31, 2022	December 31, 2021
Within 1 year	₩ 32,194,416	32,147,040
1 year ~ 2 years	32,194,416	32,147,040
2 year ~ 3 years	32,194,416	32,147,040
3 year ~ 4 years	32,194,416	32,147,040
4 year ~ 5 years	32,435,874	32,307,775
Over 5 years	141,478,846	149,387,779
	₩ 302,692,384	310,283,714

In addition, the rental income recognized in relation to the operating lease during the current and prior periods is as follows:

(in thousands of Korean won)

	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Rental income	₩ 8,299,013	8,291,410

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(7) Fair Value Hierarchy of Investment Properties

The following is an analysis of non-financial assets of which fair value by valuation techniques is disclosed fair value. The fair value hierarchy is as follows:

(In thousands of Korean won)

	March 31, 2022			
	Level 1	Level 2	Level 3	Level 4
Investment properties	₩ –	–	1,869,791,324	1,869,791,324

(In thousands of Korean won)

	December 31, 2021			
	Level 1	Level 2	Level 3	Level 4
Investment properties	₩ –	–	1,869,791,324	1,869,791,324

(8) Valuation Techniques and Input Variables

(In thousands of Korean won)

	March 31, 2022				
	Fair value	Level	Valuation technique	Unobservable input variable	Relationship between fair value and input variables
Investment properties	₩ 1,869,791,324	3	(*1)	Price per square meter and operating income	(*2)

(*1) Income capitalization approach was applied to the contract of providing operating leases to SK Inc., and the cost approach and revision approach based on standard land price were applied to the contract of providing operating leases to SK Energy Co., Ltd.
(*2) If the price per square meter and operating revenue increase, the fair value also increases.

(In thousands of Korean won)

	December 31, 2021				
	Fair value	Level	Valuation technique	Unobservable input variable	Relationship between fair value and input variables
Investment properties	₩ 1,869,791,324	3	(*1)	Price per square meter and operating income	(*2)

(*1) Income capitalization approach was applied to the contract of providing operating leases to SK Inc., and the cost approach and revision approach based on standard land price were applied to the contract of providing operating leases to SK Energy Co., Ltd.
(*2) If the price per square meter and operating revenue increase, the fair value also increases.

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13. COLLATERAL PROVISION STATUS

(in thousands of Korean won)

	Provided Assets	Set-up Authority	Maximum Amount of Bonds	Carrying Amount	Related Liabilities
Investment properties	Land/Buildings(*)	Standard Chartered Bank Korea Ltd	₩ 295,320,000	246,100,000	Long-term borrowings
		SK Office OneQ No. 1	72,000,000	60,000,000	
		Clean Energy OneQ No. 1	72,000,000	60,000,000	
		S Tiger K Co., Ltd.	96,000,000	80,000,000	
		S Tiger Energy Co., Ltd.	48,000,000	40,000,000	
		KOOKMIN BANK	336,000,000	280,000,000	
		Sumitomo Mitsui Banking Corporation	162,960,000	135,800,000	
		Mizuho Bank Co Ltd.	180,000,000	150,000,000	
		Subtotal	1,262,280,000	1,051,900,000	
		SK Inc.	39,253,920	32,711,600	Leasehold deposits
		SK Energy Co. Ltd.	32,194,416	26,828,680	
		Subtotal	71,448,336	59,540,280	
			₩ 1,333,728,336	**1,111,440,280**	

(*) The value of land and buildings provided as collateral by the Group is KRW 1,050,763,010 thousand for Seorin Building and KRW 807,210,602 thousand for many gas stations, including Gayang Gas Station.

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14. INSURANCE SUBSCRIPTION STATUS

(1) The details of insurance that the Group subscribes to SK Seorin Building among investment real estate as at March 31, 2022 are as follows:

(In thousands of Korean won)

	Assets	Indemnity amount	Company
Comprehensive property risk	Buildings etc.	₩ 303,066,619	Hyundai Marine & Fire Insurance CO.,LTD
Risk of corporate suspension	N/A	103,389,000	
Risk of liability for compensation		10,000,000 per accident and for people and property collectively	

The right to receive insurance claim for the above insurance is subjected to pledge of which amount is KRW 722,160,000 thousands with the limit of which is indemnity amount at Standard Chartered Bank Korea Co., Ltd. in relation to long-term loans.

(2) The details of insurance that SK Energy Co., Ltd., the lessee of the Group, has subscribed to the Group as the insured as of March 31, 2022 are as follows:

(In thousands of Korean won)

	Assets	Indemnity amount	Company
Comprehensive property risk	Buildings etc.	₩ 117,108,730	Hyundai Marine & Fire Insurance CO.,LTD
Risk of corporate suspension	N/A	118,347,590	
Risk of liability for compensation		3,000,000 per accident and for people and property collectively	

The right to receive insurance claim for the above insurance is subjected to pledge of which amount is KRW 540,120,000 thousands with the limit of which is indemnity amount at Standard Chartered Bank Korea Co., Ltd. in relation to long-term loans.

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022		December 31, 2021	
	Current	Non-Current	Current	Non-Current
Other Payables	₩ 1,117,773	–	1,135,948	–

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16. OTHER LIABILITIES

Other liabilities as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022			December 31, 2021		
	Current		Non-Current	Current		Non-Current
Unearned revenues	₩	1,138,972	6,198,043	₩	1,138,357	6,476,424
Deposit received VAT		1,691,141	–		1,590,761	–
Deposits received		128	–		43	–
	₩	**2,830,241**	**6,198,043**	₩	**2,729,161**	**6,476,424**

17. LONG-TERM BORROWINGS

Long-term Borrowings as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

Funding Purpose	Financial institution	March 31, 2022	December 31, 2021	Interest rate (%)	Maturity date	Repayment method
Facility funds	Standard Chartered Bank Korea Co., Ltd	₩ 246,100,000	246,100,000	2.08	July 5, 2024	Repayment at maturity
	SK Office One Q No.1	60,000,000	60,000,000			
	Clean Energy One Q No.1	60,000,000	60,000,000			
	S Tiger K Co., Ltd.	80,000,000	80,000,000			
	S Tiger Energy Co., Ltd.	40,000,000	40,000,000			
	KOOKMIN BANK	280,000,000	280,000,000			
	Sumitomo Mitsui Banking Corporation	135,800,000	135,800,000			
	Mizuho Bank Co Ltd.	150,000,000	150,000,000			
	Subtotal	1,051,900,000	1,051,900,000			
	Less: discount account on present value	(5,862,814)	(6,484,837)			
		₩ **1,046,037,186**	**1,045,415,163**			

Investment of properties of the Group are provided as collateral in relation to the above long-term borrowings (see note 13).

18. LEASEHOLD DEPOSITS RECEIVED

Details of other leasehold deposits received as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022		December 31, 2021
Nominal value	₩	59,540,280	59,540,280
Present value discounts account		(7,392,326)	(7,653,011)
Book value	₩	**52,147,954**	**51,887,269**

19. CAPITAL STOCK

Details of capital stock as of March 31, 2022 and December 31, 2021, are as follows:

	March 31, 2022	December 31, 2021
Authorized shares of capital stock	5,000,000,000 shares	5,000,000,000 shares
Par value	500 KRW	500 KRW
Issued shares of common stock	155,020,532 shares	155,020,532 shares
Capital stock:	77,510,266 thousands	77,510,266 thousands

20. OTHER PAID-IN-CAPITAL:

(1) Details of other paid-in capital as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	March 31, 2022		December 31, 2021
Paid-in capital in excess of par value	₩	687,994,384	687,994,384

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(2) Details of changes in other paid-in capital for the three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

(In thousands of Korean won)

		March 31, 2022	December 31, 2021
Beginning balance	₩	687,262,384	687,994,835
Other capital surplus from earnings		–	(612,359)
Others		–	(120,092)
Ending balance	**₩**	**687,262,384**	**687,262,384**

21. DIVIDENDS

Details of planned dividend payment as of March 31, 2022 and December 31, 2021 are as follows:

(In thousands of Korean won)

		March 31, 2022	December 31, 2021
Total dividends	₩	11,081,700,966	10,870,235,383
Issued shares of common stock (in shares)		155,020,532	155,020,532
Dividend per share		71	70
Par value		500	500
Dividends ratio		14.30%	14.02%

22. INCOME TAXES EXPENSES

Income tax expense is recorded at the amount calculated by adding or subtracting changes in deferred income tax for the current period to the sum of corporate tax to be borne in the current fiscal year and tax added to corporate tax in accordance with laws such as the Corporate Tax Act. However, in the case of dividends of 90/100 or more of the profit available for dividends as prescribed by the Presidential Decree, The Group can deduct such amount from the taxable income for the fiscal year, pursuant to Article 51-2 of the Corporate Tax Act, Income Deduction for Specialized Company, etc., and therefore did not recognized current tax expense, as there is practically no corporate tax to be borne by the Group.

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23. EARNINGS PER SHARE

Earnings per share for the three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

(1) Basic earnings per share of common stock

(in Korean won, Shares)

		For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Profit for the period	₩	9,136,745,023	8,775,350,689
Profit for the period, attributable to the owners		9,136,745,023	8,775,350,689
Weighted-average number of common shares outstanding (in shares)		155,020,532	155,020,532
Basic earnings per common stock		59	57

(2) Calculation of weighted average number of common share outstanding

(in shares)

	For the three-month period ended March 31, 2022			
	Term	Number of shares in circulation	days	Accumulation
Beginning balance	2022.01.01~2022.03.31	155,020,532	90	13,951,847,880
				13,951,847,880
Weighted average number of common share outstanding				155,020,532

(in shares)

	For the three-month period ended December 31, 2021			
	Term	Number of shares in circulation	days	Accumulation
Beginning balance	2021.10.01~2021.12.31	155,020,532	92	14,261,888,944
				14,261,888,944
Weighted average number of common share outstanding				155,020,532

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(3) Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share as the company has no diluted securities.

24. OPERATING REVENUES

Details of Operating revenues for the three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

(in thousands of Korean won)

	For the three-month period ended March 31, 2022		For the three-month period ended December 31, 2021
Rental revenues	₩	18,587,056	18,579,453

25. OPERATING EXPENSES

Details of Operating expenses for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(in thousands of Korean won)

	For the three-month period ended March 31, 2022		For the three-month period ended December 31, 2021
Salaries	₩	18,000	18,000
Insurance expenses		9,370	9,578
Depreciation		2,054,428	2,094,885
Asset management consignment fees		910,364	930,272
Asset custody consignment fees		9,000	9,000
General affairs consignment fees		65,018	65,007
Real estate management consignment fees		52,713	52,713
Commission expenses		109,333	178,651
Taxes and due		270	–
Deemed rent		17,617	18,002
	₩	**3,246,113**	**3,376,108**

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26. FINANCE INCOME AND EXPENSES

Details of Finance Incomes and Expenses for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

		For the three-month period ended March 31, 2022		For the three-month period ended December 31, 2021
Finance incomes	Interest revenues	₩	45,904	19,399
Finance expenses	Interest expenses		6,284,728	6,447,439
		₩	**(6,238,824)**	**(6,428,040)**

27. OTHER INCOME AND EXPENSES

Details of Other Income and Expenses for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

		For the three-month period ended March 31, 2022		For the three-month period ended December 31, 2021
Other incomes	Miscellaneous revenues	₩	34,626	45
Other expenses	Miscellaneous losses		–	–
		₩	**34,626**	**45**

28. RELATED-PARTY TRANSACTIONS

(1) Details of related parties as of March 31, 2022, are as follows:

Type	Name of the related parties
Controlling company	SK Inc.
Others	SK REITs Management Co., Ltd.
Large business group affiliates	SK Energy Co. Ltd., SK Networks Company Limited., and other SK business group affiliates

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(2) Significant transactions between the Group and related parties for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

Type	Name of the related party	Account headings	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Controlling company	SK Inc.	Operating revenues (*1)	₩ 10,128,062	10,128,062
		Commission expenses	7,077	–
Others	SK REITs Management Co., Ltd.	Asset management consignment fees	910,364	930,272
Large business group affiliates	SK Energy Co. Ltd.	Operating revenues (*2)	8,174,158	8,166,801
		Investment properties(purchase)		1,034,780

(*1) KRW 159,981 and 159,981 thousands reflected in the operating income of the Unearned income have been excluded.
(*2) KRW 124,855 and 124,609 thousands reflected in the operating income of the Unearned income have been excluded.

(3) Outstanding balances to related parties as of March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

Type	Name of the related party	Account headings	March 31, 2022	December 31, 2021
Controlling company	SK Inc.	Leasehold deposits received (*1)	₩ 32,711,600	32,711,600
		Accrued income	629,166	314,582
		Accounts payable	7,077	–
Others	SK REITs Management Co., Ltd.	Accounts payable	1,001,400	1,023,299
Large business group affiliates	SK Energy Co. Ltd.	Leasehold deposits received (*2)	26,828,680	26,828,680
		Accrued income	250,857	125,304

(*1) It is a nominal value that does not reflect the current value discount of KRW 2,740,411 and KRW 2,894,266 thousands, respectively
(*2) It is a nominal value that does not reflect the current value discount of KRW 4,651,915 and KRW 4,758,745 thousands, respectively

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(4) Key management personnel compensation for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Key management personnel compensation	₩ 18,000	18,000

(5) Dividends paid to related parties for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

Type	Name of the related party	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Controlling company	SK Inc.	₩ 5,435,118	4,125,490

29. COMMITMENTS

(1) Asset management contract

1) Contract to provide operating lease to SK Inc.

The Group has contracted with SK REITs Management Co., Ltd. for investment management of assets, such as real estate acquisition, management, improvement and disposal, real estate development, leasing and security trading, with paying the following asset management fees.

Type	Detail
Purchase fee	Purchase price * 0.5%(VAT not included)
Asset management fees	Purchase price * 0.2%/365(366 days in leap years) * days(Number of days of holding operating assets)
Asset management performance fee	(Dividend before commission – dividend before highest commission) * (average number of issued shares per day) * 25%
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposal price – Purchase price – Disposal fee) * 10% – Accumulated amount of asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of asset management performance fee

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2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has contracted with SK REITs Management Co., Ltd. for investment management of assets such as real estate acquisition, management, improvement and disposal, real estate development, leasing and securities trading, with paying the following asset management fees.

Type	Detail
Purchase fee	Purchase price * 0.5% (VAT not included)
Management fees	Purchase price * 0.22%/365(366 days for leap year) * Days (number of days of holding the operating asset)
Disposal fee	Real property: 0.7% of disposal value Others: (Total Value + Premium of the Assets disposed) * Disposal Ratio * 0.7%
Disposal performance fee	Real property: (Disposal price – Purchase price – Disposal fee) * 10% – Accumulated amount of "Moritz" asset management performance fee Others: (Total value of disposed assets + premium – purchase price – disposal fee) * disposal ratio * 10% – accumulated amount of Parent Reits' asset management performance fee

(2) General affairs consignment contract

1) Contract to provide operating lease to SK Inc.

The Group has entered into a general business consignment contract with Shinhan Aitas Co., Ltd. for business related to stock issuance, listing–related business, and management of the Group, with paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	KRW 50 million (VAT not included)

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a general business entrustment contract with Shinhan Aitas, for business related to stock issuance, listing–related business, and management of the Group, with paying the following general affairs consignment fees.

Type	Detail
General affairs consignment fees	KRW 15 million (VAT not included)

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(3) Asset trust contract

1) Contract to provide operating lease to SK Inc.

The Group has entered into contracts with Daehan Real Estate Investment Trust INC. and SK Securities Co., Ltd. for storage and management of assets such as real estate, securities and cash, with paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: KRW 1.25 million for each closing period (VAT not included) Securities, cash: KRW 5 million for each closing period (VAT not included)

2) Contract to provide operating lease to SK Energy Co., Ltd.

The Group has entered into a contract with Daehan Real Estate Investment Trust INC. and SK Securities Co., Ltd. for storage and management of assets such as real estate, securities and cash, with paying the following asset trust fees.

Type	Detail
Asset trust fees	Real estate: KRW 1.25 million for each closing period (VAT not included) Securities, cash: KRW 1.5 million for each closing period (VAT not included)

(4) Negotiating rights for preferential purchase

The Group has the right to negotiate preferential purchase of real estate owned by SK Telecom Co., Ltd., etc. and the details are as follows.

Asset holder	Real estate
SK Telecom Co., Ltd	1) SKT Tower in Jung–gu 2) SK Telecom Training Center in Icheon 3) SK Planet Building in Seongnam
SK Hynix Inc.	SK U–Tower in Seongnam
SK Planet Co., Ltd.	SK Planet Building in Seongnam

– In the case where the asset holder intends to dispose of the target real estate, the right to negotiate preferential purchase can be exercised.
– Terms of the sale and the lease shall be determined by mutual communication within the scope of compliance with relevant laws such as the Real Estate Investment Company Act.

(5) Lease agreement

1) Contract for providing operating lease to SK Inc.

Regarding the lease of SK Seorin Building, the Group has entered into a five–year lease agreement (rental deposit of KRW 32,711,600 thousands and monthly rent of KRW 3,271,160 thousands) with SK Inc. from July 06, 2021 to July 05, 2026.

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2) Contract for providing operating lease to SK Energy Co., Ltd

Regarding the lease of SK Energy Gayang gas Station and other 115 gas stations, the Group has entered into a ten-year lease agreement (rental deposit of KRW 26,828,680 thousands and monthly rent of KRW 2,682,868 thousands) with SK Energy Co., Ltd. from July 07, 2021 to June 30, 2031.

(6) Loan agreement

Details of the loan agreement as of March 31, 2022, are as follows:

(in thousands of Korean won)

	Financial institutions	Contract amount	Loan amount	Annual interest rate(%)	Maturity	Repayment method
Prior order borrowings	Standard Chartered Bank Korea Ltd	₩ 246,100,000	246,100,000	2.08	July 5,2024	Repayment at maturity
	SK Office OneQ No. 1	60,000,000	60,000,000			
	Clean Energy OneQ No. 1	60,000,000	60,000,000			
	S Tiger K Co., Ltd.	80,000,000	80,000,000			
	S Tiger Energy Co., Ltd.	40,000,000	40,000,000			
	KOOKMIN BANK	280,000,000	280,000,000			
	Sumitomo Mitsui Banking Corporation	135,800,000	135,800,000			
	Mizuho Bank, Ltd.	150,000,000	150,000,000			
		₩ 1,051,900,000	**1,051,900,000**			

(7) Collateral trust contract

The Group has entered into a real estate collateral trust contract with Daehan Real Estate Investment Trust Co., Ltd. for the investment property of the Group, with Standard Chartered Bank Korea Ltd. and other 7 preferred beneficiaries.

(8) Brand use agreement

As of the end of the current period, the Group has entered into a brand use contract with SK Inc. and the amount equivalent to 0.2% of the Group's sales after deducting advertising expenses is paid in return for the agreement.

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30. SUPPLEMENTAL CASH FLOW INFORMATION

(1) Details of Cash flows from operating activities for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Profit for the period	₩ 9,136,745	8,775,351
Adjustment:	8,008,417	8,238,335
Depreciation	2,054,428	2,094,885
Interest expense	6,284,728	6,447,439
rental revenue	(284,835)	(284,590)
Interest income	(45,904)	(19,399)
Changes in operating assets and liabilities:	(348,476)	1,154,522
Decrease (increase) in other accounts receivable	-	1,006,072
Decrease (increase) in accrued income	(440,137)	(439,887)
Decrease (increase) in prepaid expenses	9,371	43,873
Increase (decrease) in VAT withheld	100,380	403,437
Increase (decrease) in accounts payable	(18,175)	101,547
Increase (decrease) in withholdings received	85	-
Increase (decrease) in leasehold deposits received	-	39,480
Cash flows from operating activities	16,796,686	18,168,208

(2) The significant non-cash transactions for the three-month periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
Reclassification of the current portion of long-term deferred income	₩ 284,590	284,590

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(3) Reconciliation details of liabilities arising from financial activities for the periods ended March 31, 2022 and December 31, 2021, are as follows:

(In thousands of Korean won)

	For the three-month period ended March 31, 2022			
	Beginning of year	Cashflows	Amortization	End of year
Long-term borrowings	₩ 1,045,415,163	-	622,023	1,046,037,186

(In thousands of Korean won)

	For the three-month period ended December 31, 2021			
	Beginning of year	Cashflows	Amortization	End of year
Long-term borrowings	₩ 1,044,783,014	-	632,149	1,045,415,163

31. OPERATING SEGMENTS

The Group does not disclose information for each segment as the reportable segment in accordance with IFRS 8 (Operating Segments) is a single segment. Reporting data regularly reviewed by the Group's chief operating decision maker is measured in a manner consistent with the financial statements.

The Group's operating revenue was entirely domestic, and information related to external customers with whom The Group conducts transactions that amount to 10% or more of the Group's operating revenue for the periods ended March 31, 2022, and December 31, 2021, are as follows:

(In thousands of Korean won)

Customer	Type	For the three-month period ended March 31, 2022	For the three-month period ended December 31, 2021
SK Inc.	Operating revenues(*1)	₩ 10,128,062	10,128,062
SK Energy Co. Ltd.	Operating revenues(*2)	8,174,158	8,166,801
		₩ 18,302,220	**18,294,863**

(*1) KRW 159,981 thousands as of March 31, 2022 and KRW 159,981 thousands as of December 31, 2021 reflected in the operating income of the Unearned income have been excluded, respectively.
(*2) KRW 124,855 thousands as of March 31, 2022 and KRW 124,609 thousands as of December 31, 2021 reflected in the operating income of the Unearned income has been excluded, respectively.