

SK bioscience Co., Ltd. and its subsidiaries

Consolidated financial statements
for each of the two years in the period ended December 31, 2023
with the independent auditor's report



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Independent auditor's report

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Independent auditor's report
(English translation of a report originally issued in Korean)

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

Opinion

We have audited the consolidated financial statements of SK bioscience Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income or loss, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years in the period ended December 31, 2023, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2023 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Group's internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2023 based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 15, 2024 expressed an unqualified opinion thereon.

Basis for opinion

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

Key audit matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. 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.

Valuation of inventory

As stated in Note 7, the Group recognizes a valuation allowance for inventory losses of KRW 100,181 million. When it is difficult to recover the cost of inventory, such as when the inventory is physically damaged or fully or partially obsolete, the valuation allowance for inventory losses is applied to reduce the cost of the inventory to the net realizable value. We have identified this as a key audit matter because the amount of inventory is significant in the financial statements, and the measurement and determination of the net realizable value of inventory require significant management judgment.

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

- A) Verify the reasonableness of the accounting policies related to the measurement of inventory.
- B) Evaluate internal controls related to the determination of the amount and the subject of the inventory valuation allowance.
- C) Attend physical inventory counts to verify the existence and obsolescence of inventory.
- D) Verify the appropriateness of management's judgment and estimates reflected in the inventory valuation.
- E) Perform independent recalculation of the inventory valuation allowance.

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

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

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

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

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

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

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

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

- including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner in charge of the audit resulting in this independent auditor's report is Tae-Hwan Kim.

Ernst & Young Han Young

March 15, 2024

This audit report is effective as of March 15, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

SK bioscience Co., Ltd. and its subsidiaries

Consolidated financial statements for each of the two years in the period ended December 31, 2023

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

Jae-Yong Ahn
Chief Executive Officer
SK bioscience Co., Ltd.

SK bioscience Co., Ltd. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2023 and 2022

(in Korean won)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents		₩ 127,025,638,858	₩ 225,287,448,498
Short-term financial instruments	5,8,28	1,147,115,602,719	1,255,518,124,579
Trade and other receivables	5,6,19	22,342,472,698	89,660,819,430
Derivative assets	5,28	219,402,544	9,637,555,127
Inventories	7,21	80,649,373,609	187,405,857,755
Other current assets	9	5,616,993,102	16,184,405,041
		<u>1,382,969,483,530</u>	<u>1,783,694,210,430</u>
Non-current assets			
Long-term financial instruments	5,8,28	42,729,362,596	1,500,081,846
Deposits	5	6,003,004,685	3,644,702,000
Property, plant and equipment	10	296,287,725,019	264,157,638,183
Right-of-use assets	11	19,635,504,100	28,898,972,525
Intangible assets	12	22,458,594,902	18,181,330,028
Other non-current assets	9	4,434,764,034	6,529,051,247
Net defined benefit assets	16	18,701,863,420	13,955,544,937
Deferred tax assets	24	59,218,877,798	21,369,852,354
		<u>469,469,696,554</u>	<u>358,237,173,120</u>
Total assets		<u>₩ 1,852,439,180,084</u>	<u>₩ 2,141,931,383,550</u>
Liabilities			
Current liabilities			
Trade and other payables	5,13,19,27	₩ 45,602,460,947	₩ 55,705,312,035
Derivative liabilities	5,28	28,921,897	67,152,779
Short-term borrowings	5,14,26,27	-	45,549,996,149
Current portion of bond payables	5,14,26,27	-	38,008,459,456
Current lease liabilities	5,11,19,26,27	8,137,402,368	12,234,525,491
Provisions	17	-	2,811,240,676
Other current liabilities	5,15,27	29,656,407,123	49,769,031,796
Contract liabilities	21	52,194,703,557	155,675,821,297
Current tax liabilities		-	20,215,887,502
		<u>135,619,895,892</u>	<u>380,037,427,181</u>
Non-current liabilities			
Non-current lease liabilities	5,11,19,26,27	12,436,126,173	17,543,211,721
Provisions	17	-	2,278,409,185
Other non-current liabilities	15	527,841,643	370,339,400
		<u>12,963,967,816</u>	<u>20,191,960,306</u>
Total liabilities		<u>148,583,863,708</u>	<u>400,229,387,487</u>
Equity			
Equity attributable to owners of the parent:			
Issued capital	1,20	38,413,875,000	38,392,023,000
Capital surplus	20	1,160,455,938,979	1,160,008,131,320
Other equity	20	10,350,889,454	9,847,528,264
Accumulated other comprehensive income (loss)	20	(54,785,940,514)	76,797,881
Retained earnings	20	549,420,553,457	533,377,515,598
Total equity attributable to owners of the parent		<u>1,703,855,316,376</u>	<u>1,741,701,996,063</u>
Non-controlling interests		-	-
Total equity		<u>1,703,855,316,376</u>	<u>1,741,701,996,063</u>
Total liabilities and equity		<u>₩ 1,852,439,180,084</u>	<u>₩ 2,141,931,383,550</u>

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

SK bioscience Co., Ltd. and its subsidiaries
Consolidated statements of comprehensive income or loss
for each of the two years in the period ended December 31, 2023

<i>(in Korean won)</i>	Notes	2023	2022
Sales	19,21	₩ 369,505,555,858	₩ 456,725,871,196
Cost of sales	19,22	227,262,753,955	217,114,929,809
Gross profit		142,242,801,903	239,610,941,387
Selling and administrative expenses	22	154,230,566,675	124,597,323,544
Operating profit (loss)		(11,987,764,772)	115,013,617,843
Other income	19,23	5,888,949,026	1,701,502,687
Other expenses	19,23	5,884,492,903	6,147,692,870
Finance income	23	90,207,207,574	116,609,193,843
Finance costs	23	70,896,671,544	85,443,439,049
Profit before income tax		7,327,227,381	141,733,182,454
Income tax expense (benefit)	24	(14,990,491,856)	19,281,232,523
Profit for the year		₩ 22,317,719,237	₩ 122,451,949,931
Attributable to:			
Owners of the parent		22,317,719,237	122,451,949,931
Non-controlling interests		-	-
Other comprehensive income			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Net gain (loss) on valuation of derivatives	5,24	(265,467,926)	473,256,333
Net gain (loss) on translation of foreign operations		130,206,361	(188,670,045)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Net loss on valuation of financial assets at fair value through other comprehensive income	5,24	(54,727,476,830)	-
Remeasurements of net defined benefit liability	16,24	(6,274,681,378)	5,620,401,953
Other comprehensive income (loss) for the year, net of tax		(61,137,419,773)	5,904,988,241
Total comprehensive income (loss) for the year		₩ (38,819,700,536)	₩ 128,356,938,172
Attributable to:			
Owners of the parent		(38,819,700,536)	128,356,938,172
Non-controlling interests		-	-
Earnings per share			
Basic earnings per share	25	₩ 291	₩ 1,596
Diluted earnings per share	25	₩ 290	₩ 1,590

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

SK bioscience Co., Ltd. and its subsidiaries
Consolidated statements of changes in equity
for each of the two years in the period ended December 31, 2023

(in Korean won)

	Issued capital	Capital surplus	Other equity	Accumulated other comprehensive income	Retained Earnings	Total	Non-controlling interests	Total Equity
As of January 1, 2022	₩ 38,250,000,000	₩ 1,157,063,863,363	₩ 900,709,824	₩ (207,788,407)	₩ 405,305,163,714	₩ 1,601,311,948,494	₩ -	₩ 1,601,311,948,494
Total comprehensive income:								
Profit for the period	-	-	-	-	122,451,949,931	122,451,949,931	-	122,451,949,931
Remeasurements of net defined benefit liability	-	-	-	-	5,620,401,953	5,620,401,953	-	5,620,401,953
Net gain on valuation of derivatives	-	-	-	473,256,333	-	473,256,333	-	473,256,333
Net loss on translation of foreign operations	-	-	-	(188,670,045)	-	(188,670,045)	-	(188,670,045)
Transactions with shareholders:								
Exercise of stock options	142,023,000	2,944,267,957	8,946,818,440	-	-	12,033,109,397	-	12,033,109,397
As of December 31, 2022	₩ 38,392,023,000	₩ 1,160,008,131,320	₩ 9,847,528,264	₩ 76,797,881	₩ 533,377,515,598	₩ 1,741,701,996,063	₩ -	₩ 1,741,701,996,063
As of January 1, 2023								
Total comprehensive income:								
Profit for the period	-	-	-	-	22,317,719,237	22,317,719,237	-	22,317,719,237
Remeasurements of net defined benefit liability	-	-	-	-	(6,274,681,378)	(6,274,681,378)	-	(6,274,681,378)
Net loss on valuation of derivatives	-	-	-	(265,467,926)	-	(265,467,926)	-	(265,467,926)
Net loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(54,727,476,830)	-	(54,727,476,830)	-	(54,727,476,830)
Net gain on translation of foreign operations	-	-	-	130,206,361	-	130,206,361	-	130,206,361
Transactions with shareholders:								
Exercise of stock options	21,852,000	447,807,659	503,361,190	-	-	973,020,849	-	973,020,849
As of December 31, 2023	₩ 38,413,875,000	₩ 1,160,455,938,979	₩ 10,350,889,454	₩ (54,785,940,514)	₩ 549,420,553,457	₩ 1,703,855,316,376	₩ -	₩ 1,703,855,316,376

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

SK bioscience Co., Ltd. and its subsidiaries
Consolidated statements of cash flows
for each of the two years in the period ended December 31, 2023

(in Korean won)

	Notes	2023	2022
Cash flows from operating activities			
Profit for the year		₩ 22,317,719,237	₩ 122,451,949,931
Adjustments to reconcile profit for the year to net cash flows	26	42,733,233,198	63,457,288,409
Working capital adjustments	26	(18,391,696,173)	(208,378,665,373)
Interest received		9,723,096,272	4,401,590,579
Interest paid		(1,396,506,724)	(2,680,638,264)
Income taxes paid		(25,639,484,913)	(104,209,809,662)
Net cash inflow (outflow) from operating activities		29,346,360,897	(124,958,284,380)
Cash flows from investing activities			
Decrease in deposits		₩ 110,000,000	₩ 43,896,000
Proceeds from sale of short-term financial instruments		118,773,444,500	337,242,205,045
Proceeds from sale of long-term financial instruments		-	15,810,000,000
Proceeds from sale of property, plant and equipment		535,000	34,566,000
Proceeds from sale of intangible assets		400,000	-
Receipt of government grants		-	3,179,262
Purchase of long-term financial instruments		(111,396,350,000)	(1,000,086,966)
Increase in deposits		(2,471,261,613)	(2,997,811,700)
Payments for property, plant and equipment		(43,017,243,309)	(72,235,836,024)
Capitalized borrowing costs on purchase of property, plant and equipment		(423,966,636)	(757,015,714)
Purchase of intangible assets		(6,834,634,632)	(3,496,591,392)
Purchase of right-of-use assets		(19,644,515)	-
Net cash inflow (outflow) from investing activities		₩ (45,278,721,205)	₩ 272,646,504,511
Cash flows from financing activities			
Proceeds from exercise of stock options		₩ 397,598,916	₩ 2,617,945,592
Proceeds from short-term borrowings		1,000,000,000	48,741,669,883
Transaction settlements of derivatives		5,484,000,000	-
Repayment of bond payables		(39,129,000,000)	(48,000,000,000)
Repayment of current lease liabilities		(11,910,221,075)	(7,031,220,313)
Repayment of short-term borrowings		(45,424,994,272)	(16,195,557,184)
Net cash outflow from financing activities		₩ (89,582,616,431)	₩ (19,867,162,022)
Net increase (decrease) in cash and cash equivalents		(105,514,976,739)	127,821,058,109
Cash and cash equivalents at the beginning of the financial year		225,287,448,498	98,028,261,476
Effects of exchange rate changes on cash and cash equivalents		7,253,167,099	(561,871,087)
Cash and cash equivalents at the end of the year		₩ 127,025,638,858	₩ 225,287,448,498

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

SK bioscience Co., Ltd. and its subsidiaries
Notes to the consolidated financial statements
December 31, 2023 and 2022

1. Corporate information

1.1 Parent Company

SK bioscience Co., Ltd. (the "Company") was incorporated on July 1, 2018 through a split-off of vaccine business unit from SK Chemicals Co., Ltd. and is engaged in research and development, manufacturing, production and sales of vaccine and biopharmaceutical products, and leasing of related intellectual property rights. The Company was listed on securities market on March 18, 2021. As of December 31, 2023, the Company's issued capital amounts to KRW 38,413,875 thousand.

Details of the Company's major shareholders as of December 31, 2023 are as follows:

	Ordinary shares	
	Number of shares	Equity ownership (%)
SK Chemicals Co., Ltd.	52,059,724	67.76
Employee stock ownership association	489,490	0.64
Others	24,278,536	31.60
	<u>76,827,750</u>	<u>100.00</u>

The consolidated financial statements of the Group have been approved by the Board of Directors on February 1, 2024 and the final approval is scheduled at the shareholders' meeting on March 25, 2024.

1.2 Consolidated subsidiary

A subsidiary whose accounts are included in the consolidated financial statements as of December 31, 2023 is as follows:

Subsidiary	Ownership interest	Country of domicile	Year-end	Principal business activity
SK bioscience USA, Inc. (*1)	100%	USA	December	Development of bio-technology

(*1) Newly established by the Company for the year ended December 31, 2022 and included as a subsidiary.

The summarized financial information of the consolidated subsidiary as of and for the year ended December 31, 2023 and 2022 is as follows (Korean won in thousands):

Subsidiary	2023					
	Assets	Liabilities	Equity	Sales	Loss	Total comprehensive loss
SK bioscience USA, Inc.	₩ 4,586,343	₩ 548,174	₩ 4,038,169	₩ -	₩ (2,089,243)	₩ (1,959,036)

Subsidiary	2022					
	Assets	Liabilities	Equity	Sales	Loss	Total comprehensive loss
SK bioscience USA, Inc.	₩ 6,292,487	₩ 295,282	₩ 5,997,205	₩ -	₩ (364,624)	₩ (553,294)

SK bioscience Co., Ltd. and its subsidiaries

Notes to the consolidated financial statements

December 31, 2023 and 2022

1.3 Changes in consolidated subsidiary

There are no subsidiaries newly included or excluded from the consolidation for the year ended December 31, 2023. A subsidiary newly included in consolidation for the year ended December 31, 2022 is as follows:

Subsidiary	Reason
SK bioscience USA, Inc.	Newly incorporated

2. Basis of preparation and summary of material accounting policies

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in Korean won (KRW) and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that holding a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

SK bioscience Co., Ltd. and its subsidiaries

Notes to the consolidated financial statements

December 31, 2023 and 2022

2.2 Basis of consolidation (cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group loses control of a subsidiary, it accounts for the loss of control as follows:

- derecognizes the assets including goodwill and liabilities of the subsidiary;
- derecognizes the carrying amount any non-controlling interests;
- derecognizes cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Foreign currency translation

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

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

SK bioscience Co., Ltd. and its subsidiaries

Notes to the consolidated financial statements

December 31, 2023 and 2022

2.3 Foreign currency translation (cont'd)

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

(2) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date, and related item amounts in the consolidated statement of comprehensive income are translated at average exchange rates for the year. The exchange differences arising on translation for consolidation are accumulated in the separate component of equity. This cumulative amount of the exchange differences is recognized in profit or loss at the time of disposal of foreign operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4 Revenue from contracts with customers

The Group engages in the research and development, production, sales and related intellectual property lease of vaccines and biopharmaceuticals. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sales of vaccines and biopharmaceuticals

Revenue from sale of vaccines and biopharmaceuticals is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of vaccines and biopharmaceuticals. The normal credit term is 90 to 180 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of vaccines and biopharmaceuticals, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Contract development and manufacturing of vaccine and biopharmaceutical products

The Group provides services such as contract development and manufacturing of vaccines and biopharmaceutical products, and bioanalysis, etc. Products manufactured by the Group have no alternative use, and the Group has an enforceable right to payment for performance completed to date. The Group produces biopharmaceutical products at a quality that a customer requires and is thus entitled to reimbursement of the costs incurred to date, including a reasonable margin in the event a customer terminates a contract.

Some of the revenue from contracts with customers is recognized at a point in time when the performance obligation is completed, and some is recognized over time. The Group measures progress using input or output method and recognizes revenue over time, considering the nature of the goods or services to be transferred to customers.

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2.4 Revenue from contracts with customers (cont'd)

The Group does not disclose the transaction price allocated to the performance obligations that are unsatisfied in accordance with the practical expedient in KIFRS 1115.

Licensing: right to use

In some contracts with customers, the Group licenses out to the customers through a technical transfer. The Group has no other goods or services to be transferred to the customers under the contracts other than a performance obligation for provision of licenses. The above license contract is a license that provides a right to use the entity's intellectual property as it exists at the point in time at which the license is granted. This means that the customer can direct the use of, and obtain substantially all of the remaining benefits from, the license at the point in time at which the license transfers. Consequently, the Group accounts for the license as a performance obligation satisfied at a point in time.

Licensing: right to access

The Group provides licenses for pharmaceuticals to customers and receives consideration in return. The nature of the Group's promise to grant the license is to provide the customer with access to the entity's intellectual property as it exists throughout the license period. The Group accounts for the promised license as a performance obligation satisfied over time. The Group measures the progress of performance obligation based on the license period.

Collaborative arrangements

The Group enters into collaborative arrangements with the counterparty to share the risks and benefits derived from the activities and processes of jointly developing a product to be marketed. Costs incurred for collaborative arrangements are recognized as either intangible assets or expenses, depending on whether the conditions of identifiability, control, and future economic benefits are met. The Group recognizes goods or services provided and related considerations as revenue in accordance with the performance obligation identified under the contracts. The obligation of sharing the resources invested in the activities and processes under the collaborative arrangements is not included in the performance obligation.

(1) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of pharmaceuticals provide customers with a right of return. The right of return gives rise to variable consideration.

Right of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in KIFRS 1115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, the Group recognizes a refund liability, not revenue. A right-of-return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

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2.4 Revenue from contracts with customers (cont'd)

(2) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section 2.8 (1) 4) Financial instruments – initial recognition and subsequent measurement.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the Note 2.8.

Contract liabilities

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

(3) Costs to fulfill a contract

Costs to fulfill a contract are costs incurred in fulfilling a contract with customer. If the costs are related directly to a contract or to an anticipated contract that the entity can specifically identify, generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and are expected to be recovered, the costs are recognized as assets. And the costs to fulfill a contract are recognized as cost of sales based on percentage of completion. The Group presents these costs to fulfill a contract as inventories.

(4) Assets and liabilities arising from rights of return

Right-of-return assets

Right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. However, due to the inherent nature of vaccines and biopharmaceuticals, the assets returned are discarded, so the Group does not recognize the right-of-return asset.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Refer to the disclosures of significant judgments, estimates and assumptions relating to revenue from contracts with customers in the Note 3.

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2.5 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by the government or related institutions, with an interest rate below the current applicable market rate, the effect of this preferential interest is regarded as a government grant.

2.6 Taxes

(1) Current income tax

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

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

(2) Deferred tax

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

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

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

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

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2.6 Taxes (cont'd)

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. On the other hand, the reduced amount is reversed within the reduced range when the possibility of generating taxable income sufficient to be used increases. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(3) Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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2.7 Pension benefits and other post-employment benefits

The Group operates defined benefit pension plan in Korea, which requires contributions to be made to a separately administered fund.

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

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

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes related restructuring costs or termination benefits.

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

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

In addition, the Group operates a defined contribution plan for some employees, and the contribution is recognized as a cost when employees provide services.

2.8 Financial instruments – initial recognition and subsequent measurement

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

(1) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under KIFRS 1115. Refer to the accounting policies for revenue recognition in the Note 2.4.

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

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

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

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

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

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Impairment of financial assets

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

	<u>Notes</u>
Disclosures for significant assumptions	3

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

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

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

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

(2) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

(3) Offsetting of financial instruments

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

2.9 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in Note 28.

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

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

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

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2.9 Fair value measurement (cont'd)

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

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

2.10 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. In addition, changes in the fair value of derivatives are directly reflected in the consolidated statement of income, and the effective portion for cash flow hedge is reflected in other comprehensive income.

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

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2.10 Derivative financial instruments and hedge accounting (cont'd)

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

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

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Cash flow hedges

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

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2.10 Derivative financial instruments and hedge accounting (cont'd)

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses. Refer to Note 5 for more details.

The Group designates only the currency interest rate swaps as a hedging instrument. The currency interest rate swaps are recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

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

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

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

2.11 Cash and cash equivalents

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

2.12 Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined using the moving average method. The initial cost of inventories includes purchase costs, conversion costs, and other costs incurred in bringing each product to its present location and condition.

2.13 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

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2.13 Property, plant and equipment (cont'd)

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

	<u>Useful lives (years)</u>
Buildings	40
Structures	40
Machinery	10
Vehicles	5
Others	5 ~ 10

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

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

2.14 Borrowing Costs

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

2.15 Leases

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

Group as a lessee

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

Right-of-use asset

The Group recognizes licensed assets at the lease commencement date (i.e., when the underlying assets are available). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of

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2.15 Leases (cont'd)

lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.19 Impairment of non-financial assets.

Lease liabilities

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

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

Short-term leases and low-value assets

The Group applies an exemption policy for the recognition of short-term leases (i.e., these leases are less than 12 months from the date the lease commences and do not include the option to buy) for the lease of machinery and facilities. In addition, the Group applies an exemption on recognition of low-value asset of office equipment that is considered low-value assets. Lease payments for short-term leases and low-value asset leases are recognized as expenses on a straight-line basis over the lease term.

Group as a lessor

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

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2.16 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.17 Cash dividend

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

2.18 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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2.18 Intangible assets (cont'd)

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

The Group's new development project process is as follows: the discovery of new drug candidate materials, pre-clinical trials, phase 1 clinical trials, phase 2 clinical trials, phase 3 clinical trials, application for government approval, acquisition of government approval, and commencement of product sales. In general, the Group recognizes expenditures incurred once the project has entered phase 3 clinical trials as intangible assets and treats expenditures incurred before phase 3 clinical trials as research and development expenses during the current period.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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2.18 Intangible assets (cont'd)

Patents

The patents have been granted for the period of 20 years by the government with the option of renewal at the end of this period.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives (years)
Industrial property rights	5 ~ 10
Development costs	10
Software	5

2.19 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognized in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

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2.19 Impairment of non-financial assets (cont'd)

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

The following assets have specific characteristics for impairment testing:

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

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount.

2.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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2.21 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

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

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

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as of the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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

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3. Material accounting judgments estimates and assumptions

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

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Renewal periods for leases of plant and machinery with longer non-cancellable periods are not included as part of the lease term as renewal option is not reasonably certain to be exercised.

In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Estimates and assumptions

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

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3.2 Estimates and assumptions (cont'd)

Defined benefit plans (pension benefits)

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

Provision for expected credit losses of trade receivables and contract assets

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

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 24.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

Leases - Estimating the incremental borrowing rate

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

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3.2 Estimates and assumptions (cont'd)

Impairment of non-financial assets

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

Development costs

The Group capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As of December 31, 2023, the carrying amount of capitalized development costs was KRW 8,281 million (2022: KRW 11,882 million).

4. New and amended standards and interpretations

4.1 Application of new and amended standards

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(1) KIFRS 1117 *Insurance Contracts*

KIFRS 1117 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach mainly for short-duration contracts (the premium allocation approach).

The new standard had no impact on the Group's consolidated financial statements.

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4.1 Application of new and amended standards (cont'd)

(2) Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

(3) Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments to KIFRS 1001 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(4) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to KIFRS 1012

The amendments to KIFRS 1012 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

(5) International Tax Reform—Pillar Two Model Rules – Amendments to KIFRS 1012

Global minimum tax is a system whereby multinational enterprise group's constituent entities (subsidiaries included in consolidated financial statements) of which sales exceed 750 million euros in at least two of the four preceding years, and whose effective tax rate does not reach 15%, are required to pay a certain amount to the tax authority of the country where a qualifying parent company is located, subject to specific conditions.

The Republic of Korea has enacted a tax law related to the global minimum tax in 2023, which will be applicable to annual periods beginning on or after January 1, 2024. Therefore, as Korea's tax law related to the global minimum tax will be effective from January 1, 2024, there will be no impact on the current income tax arising from the global minimum tax.

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4.1 Application of new and amended standards (cont'd)

SK Discovery Co., Ltd., the ultimate parent company of the Group, reported the revenues exceeding 750 million euros for each of the reporting periods ended December 31, 2022 and 2021. Furthermore, among the jurisdictions where subsidiaries are operating, there are no jurisdictions where the statutory tax rate falls below 15%. Additionally, after reviewing the eligibility for the transitional period exemption under Article 80 of the Law on Corporate Tax and Tax Adjustment in each jurisdiction where subsidiaries are located based on the current financial statements, it is determined that all subsidiaries in those jurisdictions are eligible for the transitional period exemption. In the countries where the eligibility conditions are met, it can be assumed that no top-up taxes will be imposed. Even if the laws related to global minimum tax had been enacted for the year ended December 31, 2023, therefore, global minimum tax would have not occurred.

The ultimate parent company has applied a provision of mandatory temporary exception to accounting for deferred tax arising from Pillar Two income tax, and recognizes Pillar Two income tax as current income tax when incurred. Even if Pillar Two income tax were applied in the current year, the average effective tax rate would not have changed.

The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The amendments had no impact on the Group's consolidated financial statements.

4.2 Standards issued but not yet effective

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

(1) Amendments to KIFRS 1116: Lease Liability in a Sale and Leaseback

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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4.2 Standards issued but not yet effective (cont'd)

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(3) Supplier Finance Arrangements - Amendments to KIFRS 1007 and KIFRS 1107

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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5. Financial instruments

Financial assets

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

	2023			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets measured at amortized cost	Total
Current assets:				
Short-term financial instruments	₩ 871,815,603	₩ -	₩ 275,300,000	₩ 1,147,115,603
Trade and other receivables	-	-	22,342,473	22,342,473
Derivatives assets	219,403	-	-	219,403
	872,035,006	-	297,642,473	1,169,677,479
Non-current assets:				
Long-term financial instruments	1,000,001	41,729,362	-	42,729,363
Deposits	-	-	6,003,005	6,003,005
	1,000,001	41,729,362	6,003,005	48,732,368
	₩ 873,035,007	₩ 41,729,362	₩ 303,645,478	₩ 1,218,409,847

	2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets measured at amortized cost	Derivatives designated as hedging instruments	Total
Current assets:					
Short-term financial instruments	₩ 1,250,218,125	₩ -	₩ 5,300,000	₩ -	₩ 1,255,518,125
Trade and other receivables	-	-	89,660,819	-	89,660,819
Derivatives assets	4,919,333	-	-	4,718,222	9,637,555
	1,255,137,458	-	94,960,819	4,718,222	1,354,816,499
Non-current assets:					
Long-term financial instruments	-	1,500,082	-	-	1,500,082
Deposits	-	-	3,644,702	-	3,644,702
	-	1,500,082	3,644,702	-	5,144,784
	₩ 1,255,137,458	₩ 1,500,082	₩ 98,605,521	₩ 4,718,222	₩ 1,359,961,283

SK bioscience Co., Ltd. and its subsidiaries
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5. Financial instruments (cont'd)

Financial liabilities

Details of financial liabilities by category as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Current liabilities:			
Trade and other payables	W -	W 45,602,461	W 45,602,461
Derivative financial liabilities	28,922	-	28,922
Current lease liabilities (*1)	-	8,137,402	8,137,402
Other current liabilities (*2)	-	2,367,946	2,367,946
	28,922	56,107,809	56,136,731
Non-current liabilities:			
Non-current lease liabilities (*1)	-	12,436,126	12,436,126
	-	12,436,126	12,436,126
	W 28,922	W 68,543,935	W 68,572,857

(*1) Lease liabilities are liabilities recognized in accordance with KIFRS 1116.

(*2) Consist of guarantee deposits received

	2022		
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Current liabilities:			
Trade and other payables	W -	W 55,705,312	W 55,705,312
Derivative financial liabilities	67,153	-	67,153
Short-term borrowings	-	45,549,996	45,549,996
Current portion of bond payables	-	38,008,459	38,008,459
Current lease liabilities (*1)	-	12,234,525	12,234,525
Other current liabilities (*2)	-	1,960,755	1,960,755
	67,153	153,459,047	153,526,200
Non-current liabilities:			
Non-current lease liabilities (*1)	-	17,543,212	17,543,212
	-	17,543,212	17,543,212
	W 67,153	W 171,002,259	W 171,069,412

(*1) Lease liabilities are liabilities recognized in accordance with KIFRS 1116.

(*2) Consist of guarantee deposits received

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5. Financial instruments (cont'd)

Gains or losses on the financial instruments

Details of net gains or losses on financial instrument by category for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivatives designated as hedging instruments	Financial asset measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the year:						
Interest income (expenses)	₩ -	₩ -	₩ -	₩ 13,555,354	₩ (1,398,139)	₩ 12,157,215
Gain on foreign currency translation	-	-	-	4,690,214	6,874	4,697,088
Gain (loss) on foreign currency transactions	-	-	-	9,892,518	(1,264,683)	8,627,835
Gain on valuation of derivatives	190,481	-	-	-	-	190,481
Gain (loss) on transactions of derivatives	(21,263,669)	-	1,124,659	-	-	(20,139,010)
Reversal of allowance for doubtful accounts	-	-	-	29,334	-	29,334
Gain on valuation of financial assets at fair value through profit or loss	5,544,554	-	-	-	-	5,544,554
Gain on disposal of financial assets at fair value through profit or loss	8,232,374	-	-	-	-	8,232,374
	<u>(7,296,260)</u>	<u>-</u>	<u>1,124,659</u>	<u>28,167,420</u>	<u>(2,655,948)</u>	<u>19,339,871</u>
Other comprehensive income(loss)(*1)						
Net loss on valuation of derivatives	-	-	(265,468)	-	-	(265,468)
Net loss on valuation of financial assets at fair value through other comprehensive income	-	(54,727,477)	-	-	-	(54,727,477)
	<u>₩ (7,296,260)</u>	<u>₩ (54,727,477)</u>	<u>₩ 859,191</u>	<u>₩ 28,167,420</u>	<u>₩ (2,655,948)</u>	<u>₩ (35,653,074)</u>

(*1) Net of income tax effect

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5. Financial instruments (cont'd)

	2022				
	Financial assets at fair value through profit or loss	Derivatives designated as hedging instruments	Financial asset measured at amortized cost	Financial liabilities measured at amortized cost	Total
Profit for the year:					
Interest income (expenses)	₩ -	₩ -	₩ 4,854,444	₩ (2,460,940)	₩ 2,393,504
Loss on foreign currency translation	-	-	(997,193)	(3,782,147)	(4,779,340)
Gain (loss) on foreign currency transactions	-	-	23,742,717	(2,457,122)	21,285,595
Gain on valuation of derivatives	4,852,181	2,454,000	-	-	7,306,181
Loss on transactions of derivatives	(31,915,052)	-	-	-	(31,915,052)
Reversal of allowance for doubtful accounts	-	-	21,083	-	21,083
Loss on valuation of financial assets at fair value through profit or loss	(6,203,083)	-	-	-	(6,203,083)
Gain on disposal of financial assets at fair value through profit or loss	43,077,950	-	-	-	43,077,950
	<u>9,811,996</u>	<u>2,454,000</u>	<u>27,621,051</u>	<u>(8,700,209)</u>	<u>31,186,838</u>
Other comprehensive income(loss):					
Net gain on valuation of derivatives (*1)	-	473,256	-	-	473,256
	<u>₩ 9,811,996</u>	<u>₩ 2,927,256</u>	<u>₩ 27,621,051</u>	<u>₩ (8,700,209)</u>	<u>₩ 31,660,094</u>

(*1) Net of income tax effect

Derivatives

Derivatives as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Derivative assets: not designated as hedging instrument				
Currency forwards	₩ 219,403	₩ 28,922	₩ 4,919,333	₩ 67,153
Derivative assets: designated as hedging instrument				
Currency swaps	-	-	4,718,222	-

Derivative instruments not designated as hedging instruments as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	
	Assets	Liabilities
Contract with	Hana Bank and others	
Buy/Sell	Sell	Buy
Contract amount	USD 23,805,393	USD 314,746
	EUR 98,850	EUR 788,309
	AUD 289,141	
Gain (loss) on valuation of derivatives	₩ 204,268	₩ (13,788)
	2022	
Contract with	Hana Bank and others	
Buy/Sell	Sell	Buy
Contract amount	USD 216,237,739	USD 5,961,253
Gain (loss) on valuation of derivatives	₩ 4,873,056	₩ (20,875)

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5. Financial instruments (cont'd)

There are no derivative instruments designated as hedging instruments as of December 31, 2023. Derivative instruments designated as hedging instruments as of December 31, 2022 are as follows (Korean won in thousands):

	2022	
Contract with	Hana Bank	
Hedged item	Floating rate foreign currency privately placed corporate bond (Face value: USD 30,000,000)	
Contract period	2018.06.29 ~ 2023.06.29	
Buy/Sell	Buy	
Purpose	Hedge of foreign currency risk and interest rate fluctuation risk	
Contract amount	₩	33,645,000
Fair value		4,718,222
Gain on valuation		
reclassified to profit or loss		2,454,000
in other comprehensive income (*1)		473,256

(*1) Net of income tax effect

6. Trade and other receivables

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

	2023		2022	
Trade receivables	₩	12,977,293	₩	39,768,868
Less: allowance for doubtful accounts		(49,216)		(183,925)
Other receivables		4,107,883		48,601,633
Accrued revenues		5,306,513		1,474,243
	₩	22,342,473	₩	89,660,819

Changes in allowance for doubtful accounts of trade and other receivables for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
Beginning Balance:	₩	183,925	₩	297,395
Reversals		(29,334)		(21,083)
Write offs		(105,375)		(92,387)
Ending Balance:	₩	49,216	₩	183,925

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6. Trade and other receivables (cont'd)

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as of December 31, 2023 and 2022 was determined as follows for trade receivables (Korean won in thousands):

	2023							Total
	Secured	Less than 3 months	Less than 6 months	Less than 9 months	Less than 12 months	More than 12 months	Individual analysis (*1)	
Expected loss rate								
Wholesale	-	-	-	-	-	-	-	-
Hospital	-	-	-	-	-	-	100%	1.51%
Export/Others	-	-	-	-	-	-	-	-
Trade receivables								
Wholesale	₩ 6,639,966	₩ 817,353	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 7,457,319
Hospital	792,566	1,706,579	707,759	-	45	-	49,216	3,256,165
Export/Others	-	2,254,700	9,110	-	-	-	-	2,263,810
Loss allowance provision								
Wholesale	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	-
Hospital	-	-	-	-	-	-	49,216	49,216
Export/Others	-	-	-	-	-	-	-	-

(*1) Allowances or provisions for receivables from related party transactions and bad debts are determined by individual analysis.

	2022							Total
	Secured	Less than 3 months	Less than 6 months	Less than 9 months	Less than 12 months	More than 12 months	Individual analysis (*1)	
Expected loss rate								
Wholesale	-	-	-	-	100.0%	-	-	0.00%
Hospital	-	-	-	-	-	100.0%	100.0%	18.95%
Export/Others	-	-	-	-	-	-	-	-
Trade receivables								
Wholesale	₩ 1,519,384	₩ 1,124,059	₩ -	₩ -	₩ 55	₩ -	₩ -	₩ 2,643,498
Hospital	190,226	539,415	56,756	-	-	7,259	176,611	970,267
Export/Others	-	18,032,713	18,122,390	-	-	-	-	36,155,103
Loss allowance provision								
Wholesale	₩ -	₩ -	₩ -	₩ -	₩ 55	₩ -	₩ -	₩ 55
Hospital	-	-	-	-	-	7,259	176,611	183,870
Export/Others	-	-	-	-	-	-	-	-

(*1) Allowances for doubtful accounts of receivables from related party and of non-performing loans are determined separately based on individual analysis.

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7. Inventories

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

	2023		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩ 624,773	₩ (157,196)	₩ 467,577
Finished goods	8,867,926	(806,579)	8,061,347
Semi-finished goods	30,213,440	(20,510,222)	9,703,218
Work-in-progress	19,917,016	(8,048,160)	11,868,856
Raw materials	67,143,315	(48,610,437)	18,532,878
Supplies	54,063,981	(22,048,483)	32,015,498
	₩ 180,830,451	₩ (100,181,077)	₩ 80,649,374

	2022		
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩ 4,720,144	₩ (2,503,202)	₩ 2,216,942
Finished goods	2,049,401	(133,999)	1,915,402
Semi-finished goods	65,060,347	(10,512,631)	54,547,716
Work-in-progress	12,884,060	-	12,884,060
Raw materials	67,994,260	(11,131,035)	56,863,225
Supplies	85,520,378	(26,541,865)	58,978,513
(*1)	₩ 238,228,590	₩ (50,822,732)	₩ 187,405,858

(*1) The total amount includes CMO and CDMO related contract assets amounting to KRW 37,092,497 thousand (Note 21).

Loss on valuation of inventories recognized in relation to inventory assets for the year ended December 31, 2023 is KRW 49,358,346 thousand (2022: loss on valuation of inventories is KRW 43,869,943 thousand).

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8. Short-term and long-term financial instruments

Short-term and long-term financial instruments as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	
	Detail	Amount
Short-term financial instruments:		
Short-term investments	MMW	₩ 741,651,075
Short-term investments	MMF	50,022,028
Short-term investments	Structured trust deposit	50,000,000
Deposits (*1)	Deposit	175,300,000
Commercial paper	Commercial paper	100,000,000
Private bond trust	Private trust	30,142,500
		<u>₩ 1,147,115,603</u>
Long term financial instruments:		
Non-marketable equity securities	CTCELLS Co., Ltd.	₩ 1,000,076
Non-marketable equity securities	CLIPS Bnc Co., Ltd.	500,006
Redeemable convertible preferred stock	SML Biopharm Co., Ltd.	1,000,001
Marketable equity securities (*2)	Novavax Inc.	40,229,280
		<u>₩ 42,729,363</u>

(*1) Deposits amounting KRW 5,300,000 thousand is provided as collateral for employee stock ownership association loan (Note 18).

(*2) The Group acquired 6,500,000 shares of common stock in Novavax Inc. for the year end December 31, 2023. At initial recognition, the Group designated these financial instruments as measured at fair value through other comprehensive income, as they are not held for trading purposes. Including the valuation loss recognized in other comprehensive income at initial recognition, the total valuation loss recognized during the current period amounts to KRW 71,167 million.

	2022	
	Detail	Amount
Short-term financial instruments:		
Short-term investments	MMW	₩ 1,134,755,313
Short-term investments	Foreign bonds	115,462,812
Deposits (*1)	Deposit	5,300,000
		<u>₩ 1,255,518,125</u>
Long term financial instruments:		
Non-marketable equity securities	CTCELLS Co., Ltd.	₩ 1,000,076
Non-marketable equity securities	CLIPS Bnc Co., Ltd.	500,006
		<u>₩ 1,500,082</u>

(*1) It is provided as collateral for employee stock ownership association loan (Note 18).

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9. Other assets

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

	2023		2022	
Other current assets:				
Advance payments	₩	2,445,789	₩	14,535,488
Prepaid expenses		1,612,860		1,648,917
Prepaid corporate income tax		1,558,344		-
	₩	<u>5,616,993</u>	₩	<u>16,184,405</u>
Other non-current assets:				
Other investment assets	₩	85,680	₩	85,680
Long-term prepaid expenses		4,349,084		6,443,371
	₩	<u>4,434,764</u>	₩	<u>6,529,051</u>

10. Property, plant and equipment

Changes in the book value of property, plant and equipment for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023					
	Beginning balance	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 45,269,581	₩ -	₩ -	₩ -	₩ 9,936	₩ 45,279,517
Buildings	126,780,396	200,480	-	(3,794,096)	88,832	123,275,612
Structures	960,560	105,690	-	(26,805)	-	1,039,445
Machinery	53,135,206	12,316,066	(7,365)	(12,316,591)	2,713,489	55,840,805
Vehicles	5,651	42,617	-	(9,717)	-	38,551
Others	4,852,788	1,638,833	(6)	(1,595,056)	278,830	5,175,389
Construction-in-progress	32,525,083	38,778,541	(66,907)	-	(6,720,028)	64,516,689
Machinery-in-transit	628,373	493,344	-	-	-	1,121,717
	₩ 264,157,638	₩ 53,575,571	₩ (74,278)	₩ (17,742,265)	₩ (3,628,941)	₩ 296,287,725

(*1) Consisted of reclassification of construction-in-progress and exchange differences effect.

	2022					
	Beginning balance	Acquisitions	Disposals	Depreciation	Others (*1)	Ending balance
Land	₩ 9,948,684	₩ 30,925,415	₩ -	₩ -	₩ 4,395,482	₩ 45,269,581
Buildings	119,030,531	10,088,948	-	(3,603,360)	1,264,277	126,780,396
Structures	959,603	-	-	(25,043)	26,000	960,560
Machinery	51,026,145	7,126,594	(165,963)	(11,097,698)	6,246,128	53,135,206
Vehicles	10,863	-	-	(5,212)	-	5,651
Others	3,405,540	2,545,130	(96,327)	(1,243,461)	241,906	4,852,788
Construction-in-progress	25,388,979	20,857,326	(197,840)	-	(13,523,382)	32,525,083
Machinery-in-transit	494,615	133,758	-	-	-	628,373
	₩ 210,264,960	₩ 71,677,171	₩ (460,130)	₩ (15,974,774)	₩ (1,349,589)	₩ 264,157,638

(*1) Consisted of reclassification of construction-in-progress.

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

Borrowing costs

Capitalized borrowing costs for the year ended December 31, 2023 are KRW 423,967 thousand (2022: KRW 757,016 thousand). The capitalized interest rate used to calculate the capitalizable borrowing costs is 3.52% (2022: 3.44%).

Insured assets

As of December 31, 2023, the Group carries comprehensive property insurance for property, plant and equipment, inventories and others for up to KRW 688,598,111 thousand (2022: KRW 573,525,713 thousand).

Investment in new facilities

On February 8, 2023, the Company's board of directors resolved to invest in the construction of infrastructure to expand its vaccine business and promote a new business. The total investment amount is KRW 283,800,000 thousand and the expected end date of the investment is December 31, 2025.

11. Leases

Changes in the book value of right-of-use assets for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023					
	Beginning balance	Acquisitions	Disposals	Depreciation	Exchange differences	Ending balance
Buildings	₩ 27,612,096	₩ 2,977,319	₩ (560,240)	₩ (11,280,028)	₩ (5,173)	₩ 18,743,974
Vehicles	1,001,983	482,997	(163,413)	(572,484)	-	749,083
Machinery	284,894	-	-	(142,447)	-	142,447
	₩ 28,898,973	₩ 3,460,316	₩ (723,653)	₩ (11,994,959)	₩ (5,173)	₩ 19,635,504

	2022				
	Beginning balance	Acquisitions	Disposals	Depreciation	Ending balance
Building	₩ 9,379,915	₩ 25,268,678	₩ (122,151)	₩ (6,914,346)	₩ 27,612,096
Vehicles	911,163	730,771	(149,773)	(490,178)	1,001,983
Machinery	427,341	-	-	(142,447)	284,894
	₩ 10,718,419	₩ 25,999,449	₩ (271,924)	₩ (7,546,971)	₩ 28,898,973

Lease liabilities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Less than 1 year	₩ 8,381,661	₩ 8,137,402	₩ 12,527,397	₩ 12,234,525
2 years or less	4,269,822	3,988,819	7,704,268	7,176,596
5 years or less	9,706,475	8,447,307	10,460,801	8,994,596
More than 5 years	-	-	1,720,993	1,372,020
	₩ 22,357,958	₩ 20,573,528	₩ 32,413,459	₩ 29,777,737

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11. Leases (cont'd)

Changes in the book value of lease liabilities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
Beginning balance	₩	29,777,737	₩	11,083,885
Increase		3,440,671		25,999,449
Decrease		(729,985)		(274,377)
Lease payment		(13,137,981)		(8,061,535)
Interest expenses		1,227,760		1,030,315
Exchange differences		(4,674)		-
Ending balance	₩	20,573,528	₩	29,777,737

Expenses recognized in relation to lease contracts for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
Other operating expenses including supplies expenses				
Short-term lease	₩	174,254	₩	328,137
Low-value asset lease		154,885		195,384
Depreciation and impairment				
Depreciation of right of use assets		11,994,959		7,546,971
Net finance cost				
Interest expense of lease liabilities		1,227,760		1,030,315

The Group had a total cash outflow of KRW 13,467 million for leases for the year ended December 31, 2023 (2022: KRW 8,585 million).

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12. Intangible assets

Changes in the book value of intangible assets for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023							Ending balance
	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Reclassification (*1)		
Industrial property rights	₩ 688,233	₩ 5,220,003	₩ (1)	₩ (548,774)	₩ -	₩ 133,578	₩ 5,493,039	
Development costs	11,882,434	-	-	(2,447,902)	(1,153,638)	-	8,280,894	
Software	4,243,227	1,614,631	(1,044)	(2,030,803)	-	3,491,215	7,317,226	
Memberships	1,367,436	-	-	-	-	-	1,367,436	
	<u>₩ 18,181,330</u>	<u>₩ 6,834,634</u>	<u>₩ (1,045)</u>	<u>₩ (5,027,479)</u>	<u>₩ (1,153,638)</u>	<u>₩ 3,624,793</u>	<u>₩ 22,458,595</u>	

(*1) Includes effects of transfers from construction in progress.

	2022						Ending balance
	Beginning balance	Acquisitions	Disposals	Amortization	Reclassification (*1)		
Industrial property rights	₩ 473,979	₩ 58,871	₩ (11,494)	₩ (88,423)	₩ 255,300	₩ 688,233	
Development costs	13,088,066	1,163,867	-	(2,369,499)	-	11,882,434	
Software	3,499,263	906,417	-	(1,256,742)	1,094,289	4,243,227	
Memberships	-	1,367,436	-	-	-	1,367,436	
	<u>₩ 17,061,308</u>	<u>₩ 3,496,591</u>	<u>₩ (11,494)</u>	<u>₩ (3,714,664)</u>	<u>₩ 1,349,589</u>	<u>₩ 18,181,330</u>	

(*1) Includes effects of transfers from construction in progress.

Details of development costs as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

		Name	2023					
			Capitalized research and development costs (cumulative)			Research and development costs		
			Phase3	Sales approved	Total	Book value	Accumulated impairment loss	Residual amortization period
Development Completed	Genetic recombination	NBP601 (*1)	₩ -	₩ 5,100,000	₩ 5,100,000	₩ 1,530,000	₩ -	3 years
	Vaccine	NBP607 (*2)	4,354,658	-	4,354,658	1,129,082	-	2 years
	Vaccine	NBP608 Shingles (*3)	10,199,115	-	10,199,115	3,994,654	-	4 years
	Vaccine	NBP608 chickenpox (*4)	3,486,768	-	3,486,768	1,627,158	-	5 years
	Vaccine	GBP510 COVID-19 (*5)	1,344,045	-	1,344,045	-	(1,153,638)	-
			<u>₩ 19,384,586</u>	<u>₩ 5,100,000</u>	<u>₩ 24,484,586</u>	<u>₩ 8,280,894</u>	<u>₩ (1,153,638)</u>	

(*1) NBP 601 is a therapeutic agent for hemophilia and is currently on sale after approval for sale was obtained in Europe and America.

(*2) NBP 607 is an anti-influenza vaccine product and is currently on sale after approval for sale was obtained in 2015.

(*3) It is an anti-herpes vaccine product for adults. It is currently on sale after approval for sale was obtained in 2017.

(*4) It is a vaccine for chickenpox for infants and children, it is currently on sale after approval for sale was obtained in 2018.

(*5) GBP 510 is a COVID-19 vaccine product and is currently on sale after approval for sale was obtained in 2022. Due to the indications of impairment of the GBP510 development costs, an impairment loss was recognized for the year ended December 31, 2023.

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12. Intangible assets (cont'd)

		2022							
		Capitalized research and development costs (cumulative)				Research and development costs			
		Name	Phase3	Sales approved	Total	Book value	Accumulated impairment loss	Residual amortization period	
Development Completed	Genetic recombination	NBP601 (*1)	₩ -	₩ 5,100,000	₩ 5,100,000	₩ 2,040,000	₩ -	4 years	
	Vaccine	NBP607 (*2)	4,354,658	-	4,354,658	1,563,991	-	3 years	
	Vaccine	NBP608 Shingles (*3)	10,199,115	-	10,199,115	5,014,565	-	5 years	
	Vaccine	NBP608 chickenpox (*4)	3,486,768	-	3,486,768	1,975,835	-	6 years	
	Vaccine	GBP510 COVID-19 (*5)	1,344,045	-	1,344,045	1,288,043	-	9 years	
				₩ 19,384,586	₩ 5,100,000	₩ 24,484,586	₩ 11,882,434	₩ -	

(*1) NBP 601 is a therapeutic agent for hemophilia and is currently on sale after approval for sale was obtained in Europe and America.

(*2) NBP 607 is an anti-influenza vaccine product and is currently on sale after approval for sale was obtained in 2015.

(*3) It is an anti-herpes vaccine product for adults. It is currently on sale after approval for sale was obtained in 2017.

(*4) It is a vaccine for chickenpox for infants and children, it is currently on sale after approval for sale was obtained in 2018.

(*5) GBP 510 is a COVID-19 vaccine product and is currently on sale after approval for sale was obtained in 2022.

Changes in the book value of development costs for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

		2023							
		NBP601		NBP607		NBP608		GBP510	Total
				Shingles	Chickenpox				
Beginning balance	₩	2,040,000	₩ 1,563,991	₩ 5,014,565	₩ 1,975,835	₩	1,288,043	₩	11,882,434
Acquisition		-	-	-	-		-		-
Amortization		(510,000)	(434,909)	(1,019,911)	(348,677)		(134,405)		(2,447,902)
Impairment		-	-	-	-		(1,153,638)		(1,153,638)
Ending balance	₩	1,530,000	₩ 1,129,082	₩ 3,994,654	₩ 1,627,158	₩	-	₩	8,280,894

		2022							
		NBP601		NBP607		NBP608		GBP510	Total
				Shingles	Chickenpox				
Beginning balance	₩	2,550,000	₩ 1,998,900	₩ 6,034,477	₩ 2,324,511	₩	180,178	₩	13,088,066
Acquisition		-	-	-	-		1,163,867		1,163,867
Amortization		(510,000)	(434,909)	(1,019,912)	(348,676)		(56,002)		(2,369,499)
Ending balance	₩	2,040,000	₩ 1,563,991	₩ 5,014,565	₩ 1,975,835	₩	1,288,043	₩	11,882,434

R&D expenses recognized as expenses for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Selling and administrative expenses	₩ 117,280,840	₩ 111,831,319
Government grants, etc.	(31,537,424)	(53,871,674)
	₩ 85,743,416	₩ 57,959,645

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13. Trade and other payables

Trade and other payables as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
Trade payables (*1)	₩	3,370,136	₩	11,053,234
Other payables		22,516,815		14,409,579
Accrued expenses		19,715,510		30,242,499
	₩	45,602,461	₩	55,705,312

(*1) Trade payables are normally settled on 30-day to 60-day terms.

14. Bonds payable and borrowings

Bonds payable and borrowings as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
Short-term borrowings	₩	-	₩	45,549,996
Current portion of bond payables		-		38,008,459
	₩	-	₩	83,558,455

Details of short-term borrowings as of December 31, 2023 and 2022 consist of the following (Korean won in thousands):

Lender	Classification	Annual interest rates (%)	2023	2022
Coalition for Epidemic Preparedness Innovations (CEPI)	General loans in foreign currency	-	₩ -	₩ 45,549,996

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

Classification	Maturity date	Annual interest rates (%)	2023	2022
Foreign bonds	2023.06.29	-	₩ -	₩ 38,019,000
				38,019,000
Less: discount on bonds payable			-	(10,541)
Less: current portion of long-term liabilities			-	(38,008,459)
			₩ -	₩ -

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15. Other liabilities

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

	2023		2022	
	Current	Non-current	Current	Non-current
Advances	₩ 24,762,196	₩ -	₩ 37,752,218	₩ -
Withholdings	2,526,265	-	10,056,059	-
Deposits received	2,367,946	-	1,960,755	-
Long-term employee benefits	-	527,842	-	370,339
	<u>₩ 29,656,407</u>	<u>₩ 527,842</u>	<u>₩ 49,769,032</u>	<u>₩ 370,339</u>

16. Employee benefit liabilities (assets)

The Group operates defined benefit pension plans and defined contribution plans for its employees, and the present value of the pension obligation is determined using the projected unit credit method based on actuarial assumptions by an independent actuary firm.

Changes in the carrying amounts of employee benefit liabilities (assets) for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Changes in defined benefit liabilities (assets):		
Beginning balance	₩ (13,955,545)	₩ 4,246,059
Retirement benefits paid	(395,095)	(13,469)
Provision during the period	7,139,705	9,326,642
Re-measurement loss (gain)	8,159,534	(7,414,777)
Contributions to defined benefit plans	(19,640,000)	(20,100,000)
Transfer to and from associates	(10,462)	-
Ending balance	<u>₩ (18,701,863)</u>	<u>₩ (13,955,545)</u>
Defined benefit liabilities in the statement of financial position:		
Present value of defined benefit obligation	₩ 41,308,176	₩ 25,621,328
Fair value of plan assets	(60,010,039)	(39,576,873)
	<u>₩ (18,701,863)</u>	<u>₩ (13,955,545)</u>

Expenses incurred for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Current service costs	₩ 7,861,207	₩ 9,218,285
Interest expenses	1,293,108	637,641
Expected return on plan assets	(2,014,610)	(529,284)
	<u>₩ 7,139,705</u>	<u>₩ 9,326,642</u>

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16. Employee benefit liabilities (assets) (cont'd)

Changes in the present value of the defined benefit obligation for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Beginning balance	₩ 25,621,328	₩ 24,999,395
Current service costs	7,861,207	9,218,285
Interest expenses	1,293,108	637,641
Re-measurement loss(gain)	8,930,514	(7,665,849)
Retirement benefits paid	(2,855,368)	(1,802,035)
Transfer to and from associates	457,387	233,891
Ending balance	₩ 41,308,176	₩ 25,621,328

Changes in the fair value of plan assets for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Beginning balance	₩ 39,576,873	₩ 20,753,336
Expected return on plan assets	2,014,610	529,284
Re-measurement gain (loss)	770,980	(251,072)
Contribution	19,640,000	20,100,000
Retirement benefits paid	(2,460,273)	(1,788,566)
Transfer to and from associates	467,849	233,891
Ending balance	₩ 60,010,039	₩ 39,576,873

The principal assumptions used in actuarial calculation as of December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate	4.34%	5.17%
Expected rate of return on plan assets	4.34%	5.17%
Future salary increase	7.81%	6.59%

Details of re-measurement losses (gains) as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	2022
Financial assumptions	₩ 9,655,158	₩ (8,606,669)
Experience adjustments	(724,644)	940,820
Re-measurement loss (gain) on plan assets	(770,980)	251,072
	₩ 8,159,534	₩ (7,414,777)

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16. Employee benefit liabilities (assets) (cont'd)

The following table demonstrates a sensitivity analysis of the effect of changes in the principal assumptions used in actuarial calculation on the present value of defined benefit obligation as of December 31, 2023 and 2022 (Korean won in thousands):

	2023			
	Effect of changes in the discount rate		Effect of changes in the future salaries	
	Increase by 1% point	Decrease by 1% point	Increase by 1% point	Decrease by 1% point
Defined benefit obligation	₩ (4,835,579)	₩ 5,870,390	₩ 5,833,470	₩ (4,895,399)

	2022			
	Effect of changes in the discount rate		Effect of changes in the future salaries	
	Increase by 1% point	Decrease by 1% point	Increase by 1% point	Decrease by 1% point
Defined benefit obligation	₩ (2,528,339)	₩ 3,025,708	₩ 3,065,021	₩ (2,601,530)

Plan assets as of December 31, 2023 and 2022 consist of (Korean won in thousands):

	2023		2022	
	Amount	Composition(%)	Amount	Composition(%)
Deposits	₩ 60,010,039	100.00	₩ 39,576,873	100.00

The weighted-average duration of the defined benefit obligation as of December 31, 2023 is 13.42 years. The expected maturity analysis of undiscounted retirement benefits is as follows (Korean won in thousands):

	Less than 1 year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Between 10-20 years	Over 20 years	Total
Pension benefits	₩ 1,642,988	₩ 2,127,600	₩ 16,321,037	₩ 19,916,694	₩ 132,344,848	₩ 344,376,870	₩ 516,730,037

Expected contributions to retirement benefit plans for the year ended December 31, 2023 are KRW 11,050,374 thousand.

Expenses recognized in profit or loss in relation to the defined contribution plan during the year ended December 31, 2023 are KRW 66,200 thousand (2022: KRW 20,429 thousand).

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17. Provisions

Provisions as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
	Current	Non-current	Current	Non-current
Onerous Contracts (*1)	₩ -	₩ -	₩ 2,811,241	₩ 2,278,409

(*1) As the Group estimated that, in some contracts, the unavoidable costs of meeting the obligations under the contract would exceed the economic benefits expected to be received under it, the Group recognized the estimate of the excess amount as provisions.

18. Commitments and contingencies

Details of significant litigation related to the Group as of December 31, 2023 are as follows:

Legal claim	Plaintiff	Defendant	Contents	Litigation amount	Remark
Patent infringement claims	Wyeth LLC, Pfizer Pharmaceuticals Korea Ltd.	The Company	Prohibition of pneumococcus vaccine patent right infringement and damage claims	KRW 100 million	Second trial in progress
Compensation for damages claims (*1)	The Government of the Republic of Korea	The Company and 26 others	Compensation for damages claims	-	First trial in progress

(*1) The total amount of the claim in the lawsuit against the Company and others is KRW 19.7 billion.

The Group is unable to reasonably estimate the ultimate outcome of such proceedings. The Group does not recognize any provisions.

Commitments with the financial institutions as of December 31, 2023 are as follows:

Financial institution	Category	Limit	Amount
Hana Bank	Secured loan of credit sales	KRW 4,000 million	KRW 16 million
	Derivative deposit exemption arrangement	USD 73,000,000	-
Shinhan Bank	Secured loan of credit sales	KRW 3,000 million	KRW 269 million
	Corporate working capital loans	KRW 5,000 million	-
	Derivative (Revolving credit)	USD 11,000,000	-
Woori Bank	Corporate working capital loans	KRW 5,000 million	-
Suhyup Bank	Derivative (Revolving credit)	KRW 15,000 million	USD 10,960,377
JP Morgan Chase Bank(*1)	Derivative (Revolving credit)	-	USD 12,530,268 EUR 689,456 AUD 289,141
Korea Eximbank	Export growth loans	KRW 10,000 million	-

(*1) The daily limit for settlement is USD 100,000,000, and the amount is the sum of transaction amounts of December 2023.

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18. Commitments and contingencies (cont'd)

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

Financial institution	Category	2023	2022
Seoul Guarantee Insurance Co., Ltd.	Performance guarantee insurance etc.	₩ 6,650	₩ 360
Samsung Fire & Marine Insurance Co., Ltd.	Comprehensive property insurance	622,059	-
KB Insurance Co., Ltd.	Comprehensive property insurance	-	521,422
Hyundai Marine & Fire Insurance Co., Ltd.	Comprehensive property insurance	56,539	52,104
Hyundai Marine & Fire Insurance Co., Ltd.	Product liability insurance	25,788	25,346
Meritz Fire & Marine Insurance Co., Ltd.	Comprehensive property insurance	10,000	-

Details of financial instruments restricted for use as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Financial instruments	Classification	2023	2022
Time deposits	Employee stock ownership association loan security provided	₩ 5,300,000	₩ 5,300,000

Technology transfer agreement and joint development

The Group signed an agreement with Sanofi Pasteur Inc. on the joint development and sale of next-generation pneumonia-bacterial conjugate vaccines on March 19, 2014, amounting to USD 45,000,000 including initial technical fees and milestones for each stage of development. The Group has recognized revenue at a point in time when the Group fulfilled the requirements for the right to consideration, and the product is currently under Phase 2 clinical trial.

CMO (Contract Manufacturing Organization)/CDMO (Contract Development & Manufacturing Organization) agreement

The Group signed a COVID-19 vaccine CDMO contract with Novavax, Inc. on August 11, 2020, and the amount related to this contract is recognized in installments as revenue for the duration of the contractual obligation. The Group entered into an amended contract to terminate the existing CMO and CDMO agreements with Novavax, Inc. for the year ended December 31, 2023.

The Group signed an agreement with Novavax, Inc. on February 12, 2021 to be granted exclusive rights to development, manufacture, and sale of the COVID-19 vaccine developed by Novavax, Inc. in South Korea. During the current period, the Group entered into an amended agreement regarding the existing contract, granting the Group exclusive rights to develop, manufacture, and sell the COVID-19 vaccine (including variant antigens) developed by Novavax, Inc. within the Republic of Korea until February 12, 2029, and non-exclusive rights within Thailand and Vietnam until June 30, 2028.

The Group recognizes revenue of KRW 180,533 million under CMO/CDMO agreements for the year ended December 31, 2023.

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18. Commitments and contingencies (cont'd)

The Group signed a sales contract to build R&D facilities for the land located in Songdo-dong, Yeonsu-gu, Incheon with the Incheon Free Economic Zone (IFEZ) Authority on December 27, 2021. The Group must perform various procedures, such as gaining permission for facility construction plan and use, within a certain period of time from the contract date, and if not, the sales contract may be terminated.

19. Related party transactions

Details of the Group's related parties as of December 31, 2023 are as follows:

Related parties	Entities
Ultimate parent company (*1)	SK Discovery Co., Ltd.
Parent company	SK Chemicals Co., Ltd.
	SK Gas Co., Ltd., SK Plasma Co., Ltd.,
Others	SK D&D Co., Ltd., SK Inc., Ltd., SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Ecoplant Co., Ltd., Happynarae Co., Ltd., SK Shieldus Co., Ltd., SK Group affiliate (*2)

(*1) SK Discovery Co., Ltd. acquired additional shares of SK Chemical Co., Ltd. for the year ended December 31, 2022 and was classified as the ultimate parent company of the Group.

(*2) The conglomerate affiliates that are also known as the Large-scale Business Group affiliates designated by the Korea Fair Trade Commission are classified as related parties in accordance with the resolution of the Korean Securities and Futures Commission that those are related parties considering substance of the relationship as stipulated in paragraph 10 of KIFRS 1024.

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19. Related party transactions (cont'd)

Significant transactions with related parties for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

Related parties	Entities	2023									
		Sales		Purchase		Other expenses	Other income	Purchase of fixed assets			
Ultimate parent company	SK Discovery Co., Ltd.	₩	-	₩	-	₩	1,421,634	₩	23,747	₩	-
Parent company	SK Chemicals Co., Ltd.		-		13,934,783		3,021,111		-		-
	SK Gas Co., Ltd.		-		-		1,876,738		-		-
	SK Plasma Co., Ltd.		356,513		-		2,512		-		-
	SK D&D Co., Ltd.		-		-		12,576		-		-
	SK Inc.		-		-		3,262,263		-		2,584,779
	SK Innovation Co., Ltd.		-		-		872,263		-		-
	SK Telecom Co., Ltd.		-		-		1,318,693		-		-
	SK Networks Co., Ltd.		-		-		30,000		-		-
	SK Magic Co., Ltd.		-		-		27,441		-		-
	Happynarae Co., Ltd.		-		626,551		1,613,344		-		84,675
	SK Broadband Co., Ltd.		-		-		4,728		-		-
Other related parties	SK Hynix Co., Ltd.		75,731		-		9,399		-		-
	SK Hystec Co., Ltd.		172,390		-		-		-		-
	SK PINX Co., Ltd.		-		-		87,177		-		-
	SK Ecoplant Co., Ltd.(*1)		-		-		45,191		-		21,932,013
	SK MN service Co., Ltd.		-		-		12,295		-		-
	SK Energy Co., Ltd.		-		-		51,577		-		-
	SK Shieldus Co., Ltd.		-		-		1,261,853		-		171,308
	SK RENT A CAR Co., Ltd.		-		-		8,870		-		-
	SK Ecoengineering Co., Ltd.		-		-		-		-		184,800
	SK FOREST Co., Ltd.		-		-		7,980		-		-
	SK Chemicals America, Inc.		-		-		24,150		-		-
	SK Shieldus America, Inc.		-		-		-		-		124,878
		₩	604,634	₩	14,561,334	₩	14,971,795	₩	23,747	₩	25,082,453

(*1) The Group entered into a construction contract with SK Ecoplant Co., Ltd. for the Incheon Songdo Global R&PD Center, amounting to KRW 250,514 million for the year ended December 31, 2023.

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19. Related party transactions (cont'd)

Related parties	Entities	2022			
		Sales	Purchase	Other expenses	Purchase of fixed assets
Ultimate parent company	SK Discovery Co., Ltd.	₩ -	₩ -	₩ 1,163,435	₩ -
Parent company	SK Chemicals Co., Ltd.	-	1,963,077	2,379,050	-
	SK Gas Co., Ltd.	-	-	1,932,753	127,233
	SK Plasma Co., Ltd.	337,472	(22,685)	6,397	-
	SK D&D Co., Ltd.	-	-	14,461	-
	SK Inc.	-	-	4,431,456	371,927
	SK Innovation Co., Ltd.	-	-	376,841	-
	SK Telecom Co., Ltd.	-	-	1,309,755	-
	SK Networks Co., Ltd.	-	-	978	-
	SK Magic Co., Ltd.	-	-	21,900	-
	Happynarae Co., Ltd.	-	617,381	2,200,475	101,348
Other related parties	SK Broadband Co., Ltd.	-	-	3,673	-
	SK Hynix Co., Ltd.	63,356	-	-	-
	SK Hystec Co., Ltd.	179,355	-	-	-
	SK PINX Co., Ltd.	-	-	62,486	-
	SK Ecoplant Co., Ltd.	-	-	45,071	8,146,356
	SK MN service Co., Ltd.	-	-	25,134	-
	SK Energy Co., Ltd.	-	-	71,895	-
	SK Shieldus Co., Ltd.	-	-	1,221,398	1,657,444
	SK RENT A CAR Co., Ltd.	-	-	9,896	-
	SK FOREST Co., Ltd.	-	-	4,350	-
	SK Chemicals America, Inc.	-	-	8,171	-
		₩ 580,183	₩ 2,557,773	₩ 15,289,575	₩ 10,404,308

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19. Related party transactions (cont'd)

Account balances with related parties as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

Related parties	Entities	2023							
		Receivables		Payables					
		Trade receivables	Other receivables	Trade payables	Other payables (*1)				
Ultimate parent company	SK Discovery Co., Ltd.	₩	-	₩	10,908	₩	-	₩	127,039
Parent company	SK Chemicals Co., Ltd.		-		-		288,996		11,852,739
	SK Gas Co., Ltd.		-		765,252		-		3,824,144
	SK D&D Co., Ltd.		-		-		-		1,139
	SK Telecom Co., Ltd.		-		-		-		135,511
	Happynarae Co., Ltd.		-		-		9,280		152,358
	SK Hynix Co., Ltd.		-		-		-		1,430
	SK Hystec Co., Ltd.		1,128		-		-		-
Other related parties	SK Ecoplant Co., Ltd.		-		32,885		-		8,855,000
	SK Innovation Co., Ltd.		-		-		-		91,881
	SK Shieldus Co., Ltd.		-		-		-		197,642
	SK Inc.		-		-		-		783,637
	SK RENT A CAR Co., Ltd.		-		-		-		563
	SK Ecoengineering Co., Ltd.		-		-		-		50,820
	SK Plasma Co., Ltd.		30,998		-		-		-
		₩	32,126	₩	809,045	₩	298,276	₩	26,073,903

(*1) Other liabilities include lease liabilities.

Related parties	Entities	2022							
		Receivables		Payables					
		Trade receivables	Other receivables	Trade payables	Other payables (*1)				
Ultimate parent company	SK Discovery Co., Ltd.	₩	-	₩	-	₩	-	₩	138,920
Parent company	SK Chemicals Co., Ltd.		-		-		381,158		12,590,070
	SK Gas Co., Ltd.		-		765,252		-		4,559,257
	SK D&D Co., Ltd.		-		-		-		1,192
	SK Telecom Co., Ltd.		-		-		-		151,028
	Happynarae Co., Ltd.		-		-		28,911		234,481
	SK MN service Co., Ltd.		-		-		-		12,985
	SK Ecoplant Co., Ltd.		-		32,885		-		-
Other related parties	SK Innovation Co., Ltd.		-		-		-		36,872
	SK Energy Co., Ltd.		-		-		-		1,400
	SK Shieldus Co., Ltd.		-		-		-		1,127,622
	SK Inc.		-		-		-		579,999
	SK RENT A CAR Co., Ltd.		-		-		-		612
	SK Plasma Co., Ltd.		26,978		-		-		-
	SK Chemicals America, Inc.		-		-		-		249,275
		₩	26,978	₩	798,137	₩	410,069	₩	19,683,713

(*1) Other liabilities include lease liabilities.

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19. Related party transactions (cont'd)

Compensation for key management personnel for each of the two years in the period ended December 31, 2023 is as follows (Korean won in thousands):

	2023		2022	
Salaries	₩	8,326,032	₩	8,557,391
Provision for retirement benefits		2,380,431		2,470,040
	₩	10,706,463	₩	11,027,431

The Group's key management personnel include registered directors and internal auditor.

20. Equity

Details of equity as of December 31, 2023 and 2022 are as follows:

	Unit	2023		2022	
		Ordinary share		Ordinary share	
Authorized shares	Shares		300,000,000		300,000,000
Par value	Korean won	₩	500	₩	500
Number of shares issued (*1)	Shares		76,827,750		76,784,046
Issued capital	Korean won In thousands	₩	38,413,875	₩	38,392,023

(*1) Issued capital increased due to the exercise of stock options (43,704 ordinary shares) for the year ended December 31, 2023.

Details of capital surplus as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
Paid-in capital in excess of par value	₩	1,160,455,939	₩	1,160,008,131

Details of other capital adjustments as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
Stock option	₩	360,304	₩	432,364
Other		9,990,585		9,415,164
	₩	10,350,889	₩	9,847,528

Details of stock options as of December 31, 2023 are as follows (in Korean won and in shares):

Grant date	Number of shares authorized	Exercise Period	Exercise price	Fair value as of grant date
2018.12.11	218,520	2021.12.12 ~ 2028.12.11	₩ 9,154	₩ 1,649

(*1) As a result of increase of capital stock without consideration and stock split, the number of shares authorized was adjusted to 546,270 from 18,209, exercise price was adjusted to KRW 9,154 from KRW 274,621 and fair value as of grant date was adjusted to KRW 1,649 from KRW 49,465.

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20. Equity (cont'd)

Fair value of stock options was calculated according to the binomial option pricing model. The variables applied to the model are as follows (in Korean won):

	Grant date: 2018.12.11	
Grant date stock price	₩	9,154
Exercise price		9,154
Expected variability		11.90%
Risk-free interest rate		1.94%

(*1) As a result of increase of capital stock without consideration and stock split, the grant date stock price and exercise price were adjusted from KRW 274,621 per share to KRW 9,154 per share.

Details of changes in share options for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

2023						
Grant date	Number of shares authorized		Beginning balance	Fair value		Ending balance
	Granted	Ending balance		Decrease	Ending balance	
2018.12.11	546,270	218,520	₩ 432,364	₩ (72,060)	₩	360,304

2022						
Grant date	Number of shares authorized		Beginning balance	Fair value		Ending balance
	Granted	Ending balance		Increase	Ending balance	
2018.12.11	546,270	262,224	₩ 900,710	₩ (468,346)	₩	432,364

Details of accumulated other comprehensive income (loss) as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023	2022
Net gain on valuation of derivatives	₩ -	₩ 265,468
Net loss on valuation of financial assets at fair value through other comprehensive income	(54,727,477)	-
Net loss on translation of foreign operations	(58,464)	(188,670)
	₩ (54,785,941)	₩ 76,798

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

	2023	2022
Unappropriated retained earnings	₩ 549,420,553	₩ 533,377,516

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21. Operating segment information

Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers for each of the two years in the period ended December 31, 2023 (Korean won in thousands):

	2023		2022
Type of goods or services:			
Sales of finished goods	₩ 108,458,063	₩	204,623,450
Sales of merchandise	22,938,581		11,897,340
Sales from provision of services and others	238,108,912		240,205,081
Total revenue from contracts with customers	<u>₩ 369,505,556</u>	<u>₩</u>	<u>456,725,871</u>
Geographical markets:			
Domestic	₩ 158,217,121	₩	224,157,241
America	185,961,474		217,834,131
Europe	21,201,941		13,778,125
Middle East	231,614		305,040
Asia	3,893,406		651,334
Total revenue from contracts with customers	<u>₩ 369,505,556</u>	<u>₩</u>	<u>456,725,871</u>
Timing of revenue recognition			
At a point of time	₩ 242,941,360	₩	222,799,980
Over a period of time	126,564,196		233,925,891
Total revenue from contracts with customers	<u>₩ 369,505,556</u>	<u>₩</u>	<u>456,725,871</u>

Contract balances

Details of the Group's contract balances as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022
Inventories (*1)	₩ -	₩	37,092,497
Contract liabilities	52,194,703		155,675,821

(*1) Costs to fulfil a contract, which are contract assets of the Group, are recognized as inventories. Contract costs included in inventories contain costs of technology transfer and production activities related with finished goods ordered by customers. These activities are recognized as contract assets rather than performance obligation as these are not activities that must be preceded to produce the product ordered by the customer or that are associated with the transfer of goods or services to the customer.

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21. Operating segment information (cont'd)

Details of changes in contract assets and liabilities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023			
	Contract liabilities			
	Unearned revenues (*1)		Refund liabilities (*2)	
Beginning balance	₩	146,222,469	₩	9,453,352
Decrease		(97,352,906)		(6,128,212)
Ending balance	₩	48,869,563	₩	3,325,140
Current portion	₩	48,869,563	₩	3,325,140
Non-current portion		-		-

(*1) The Group recognizes advanced consideration received from the customers as contract liabilities in relation to technology transfer and engineering batch production.

(*2) A provision is recognized for expected warranty claims on products sold during the period, based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

	2022			
	Contract liabilities			
	Unearned revenues (*1)		Refund liabilities (*2)	
Beginning balance	₩	96,939,155	₩	1,850,110
Increase		49,283,314		7,603,242
Ending balance	₩	146,222,469	₩	9,453,352
Current portion	₩	146,222,469	₩	9,453,352
Non-current portion		-		-

(*1) The Group recognizes advanced consideration received from the customers as contract liabilities in relation to technology transfer and engineering batch production.

(*2) A provision is recognized for expected warranty claims on products sold during the period, based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

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21. Operating segment information (cont'd)

For management purposes, the Group is organized into The Group decided to consider the organization as a single reportable segment considering the nature of goods or services that generate operating income. . Therefore, the Group has not disclosed information about operating income (loss), profit before income tax and total assets/ liabilities that is disaggregated by segments.

There were two customers each of which accounted for more than 10% of sales for the year ended December 31, 2023. The sales from those customers amounted to KRW 180,453,943 thousand and 60,941,618 thousand, respectively, for the year ended December 31, 2023. There were two customers each of which accounted for more than 10% of sales for the year ended December 31, 2022. The sales from those customers amounted to KRW 209,944,964 thousand and 182,828,063 thousand, respectively, for the year ended December 31, 2022.

22. Operating expenses

Details of cost of sales and selling and administrative expenses by nature for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Changes in inventories	₩ 39,713,758	₩ 1,304,067
Raw materials used	130,874,847	68,615,300
Cost of merchandise sold	20,950,283	11,954,612
Depreciation and amortization (*1)	34,764,703	27,236,409
Salaries and wages	103,158,977	104,060,988
Transport and storage of oil expenses	2,649,145	1,750,606
Rental fees and service fees	26,753,692	41,527,448
Marketing fees	1,857,115	1,198,000
Others	20,770,801	84,064,823
	<u>₩ 381,493,321</u>	<u>₩ 341,712,253</u>

(*1) Depreciation of right-of-use assets is included.

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22. Operating expenses (cont'd)

Details of selling and administrative expenses for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022
Salaries	₩ 28,281,531	₩	27,605,546
Provision for retirement benefits	2,167,560		2,599,276
Employee welfare benefits	4,890,801		4,137,025
Travel	1,901,991		998,329
Communication	162,049		118,879
Utilities	3,072		-
Taxes and dues	1,417,477		664,993
Rents	153,861		141,753
Depreciation	3,901,220		2,901,760
Insurance	682,045		426,621
Entertainment	608,285		597,085
Repairs	75,503		46,945
Transportation and storage	33		82
Office supplies	167,243		216,151
Vehicle maintenance	342,946		281,214
Training	3,152,546		3,067,102
Printing	26,966		18,865
Rental fees and service fees	16,308,330		20,324,041
Research	85,743,416		57,959,645
Advertising and marketing	1,848,942		1,190,009
Sales commission	223,968		182,561
Samples	1,625		1,784
Reversal of allowance for doubtful accounts	(29,334)		(21,083)
Conference	260,411		175,616
Amortization	1,938,080		963,125
	₩ 154,230,567	₩	124,597,324

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23. Other income and expenses

Details of other income and expenses for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Other income:		
Gain on disposal of property, plant and equipment	₩ 535	₩ 17,319
Gain on disposal of right-of-use assets	6,379	2,452
Miscellaneous income	5,882,035	1,681,732
	<u>₩ 5,888,949</u>	<u>₩ 1,701,503</u>
Other expenses:		
Loss on disposal of property, plant and equipment	₩ 74,278	₩ 442,880
Loss on disposal of right-of-use assets	47	-
Loss on disposal of intangible assets	646	11,494
Impairment loss on intangible assets	1,153,638	-
Donations	3,517,329	5,162,259
Miscellaneous expenses	1,138,555	531,060
	<u>₩ 5,884,493</u>	<u>₩ 6,147,693</u>

Details of finance income and costs for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023	2022
Finance income:		
Interest income	₩ 13,555,354	₩ 4,854,444
Gain on foreign currency transactions	19,321,394	34,103,285
Gain on foreign currency translations	7,449,419	2,984,578
Gain on valuation of derivatives	219,403	7,373,334
Gain on derivatives transactions	29,829,649	21,696,854
Gain on valuation of financial assets at fair value through profit or loss	5,544,554	-
Gain on disposal of financial assets at fair value through profit or loss	14,287,435	45,596,699
	<u>₩ 90,207,208</u>	<u>₩ 116,609,194</u>
Finance costs:		
Interest expenses	₩ 170,379	₩ 1,430,625
Interest expenses relating to leases	1,227,760	1,030,315
Loss on foreign currency transactions	10,693,560	12,817,690
Loss on foreign currency translations	2,752,332	7,763,918
Loss on valuation of derivatives	28,922	67,153
Loss on derivatives transactions	49,968,658	53,611,906
Loss on valuation of financial assets at fair value through profit or loss	-	6,203,083
Loss on disposal of financial assets at fair value through profit or loss	6,055,061	2,518,749
	<u>₩ 70,896,672</u>	<u>₩ 85,443,439</u>

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24. Income tax

The major components of income tax expense (income) for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022
Current income tax	₩ 1,867,721	₩	23,636,385
Adjustments of prior period income tax recognized in current period	1,997,533		(696,566)
Changes in deferred taxes arising from temporary differences	(37,849,026)		(11,128,281)
Income tax reflected directly to equity	18,993,280		7,469,695
Income tax expense (benefit)	₩ (14,990,492)	₩	19,281,233

Details of income tax reflected directly in equity for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022
Deferred tax:			
Re-measurement on defined benefit obligation	₩ 1,884,852	₩	(1,794,377)
Loss on valuation of derivatives	93,413		(151,092)
Loss on valuation of financial assets at fair value through other comprehensive income	16,439,593		-
Current tax:			
Stock option	575,422		9,415,164
	₩ 18,993,280	₩	7,469,695

A reconciliation of income tax expense (income) applicable to profit before income taxes at the statutory tax rate to income tax expense at the effective tax rate for each of the two years in the period ended December 31, 2023 is as follows (Korean won in thousands):

	2023		2022
Profit before income tax	₩ 7,327,227	₩	141,733,182
Tax at the statutory income tax rate	1,507,301		33,837,430
Adjustments:			
Non-deductible expenses for tax purposes	19,144		335,443
Non-taxable income	(240,771)		(171,337)
Tax credit	(1,290,669)		(11,865,199)
Impact on deferred income tax due to changes in tax rate	946,705		706,491
Effects of the tax refund	(1,688,563)		(1,410,659)
Adjustments in respect of current income tax of previous years	1,997,533		(2,392,299)
Others	(16,241,172)		241,363
Income tax expense (benefit)	₩ (14,990,492)	₩	19,281,233
Effective tax rate (Income tax expense/Profit before income tax)	-		13.60%

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24. Income tax (cont'd)

Changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023				
	Beginning balance	Recognized in profit or loss	Recognized directly in equity	Change in the tax rate	Ending balance
Defined benefit obligation	₩ 4,697,148	₩ 1,710,871	₩ 1,884,852	₩ (212,290)	₩ 8,080,581
Plan assets	(6,886,689)	(3,051,903)	-	254,418	(9,684,174)
Financial assets at fair value through profit or loss	1,439,115	(2,725,451)	-	32,929	(1,253,407)
Financial assets at fair value through other comprehensive income	-	71,168	16,439,593	(422,660)	16,088,101
Accrued revenues	(341,944)	(889,156)	-	31,515	(1,199,585)
Refund liabilities	2,193,178	(1,421,745)	-	(19,748)	751,685
Contract liabilities	84,216	(8,413)	-	(1,940)	73,863
Valuation allowance on inventories	11,790,874	11,451,136	-	(594,973)	22,647,037
Accrued expenses	6,193,125	(1,734,000)	-	(114,149)	4,344,976
Derivative liabilities	(1,094,627)	1,001,214	93,413	-	-
Property, plant and equipment	(10,864,796)	1,679,517	-	235,134	(8,950,145)
Intangible assets	7,617,667	(2,774,985)	-	(123,968)	4,718,714
Provisions	1,180,799	(1,180,799)	-	-	-
Long-term employee benefits	85,919	36,540	-	(3,135)	119,324
Stock options	100,309	(592,140)	575,422	(2,140)	81,451
Right-of-use assets	(6,638,466)	2,212,696	-	113,295	(4,312,475)
Lease liabilities	6,834,773	(2,186,370)	-	(118,993)	4,529,410
Tax credit carried forward, etc.	4,979,251	18,204,271	-	-	23,183,522
Net deferred tax assets	<u>₩ 21,369,852</u>	<u>₩ 19,802,451</u>	<u>₩ 18,993,280</u>	<u>₩ (946,705)</u>	<u>₩ 59,218,878</u>

	2022				
	Beginning balance	Recognized in profit or loss	Recognized directly in equity	Change in the tax rate	Ending balance
Defined benefit obligation	₩ 4,808,164	₩ 1,885,824	₩ (1,794,377)	₩ (202,463)	₩ 4,697,148
Plan assets	(4,838,408)	(2,345,121)	-	296,840	(6,886,689)
Financial assets at fair value through profit or loss	1,951,024	(449,878)	-	(62,031)	1,439,115
Accrued revenues	(247,177)	(109,506)	-	14,739	(341,944)
Refund liabilities	447,727	1,839,985	-	(94,534)	2,193,178
Contract liabilities	(691,129)	778,975	-	(3,630)	84,216
Valuation allowance on inventories	1,682,575	10,616,526	-	(508,227)	11,790,874
Accrued expenses	5,499,499	960,571	-	(266,945)	6,193,125
Derivative liabilities	(396,849)	(593,868)	(151,092)	47,182	(1,094,627)
Property, plant and equipment	(12,705,245)	1,372,139	-	468,310	(10,864,796)
Intangible assets	11,070,614	(3,124,599)	-	(328,348)	7,617,667
Provisions	-	1,231,695	-	(50,896)	1,180,799
Long-term employee benefits	81,128	8,494	-	(3,703)	85,919
Stock options	217,972	(113,339)	-	(4,324)	100,309
Right-of-use assets	(2,490,441)	(4,434,166)	-	286,141	(6,638,466)
Lease liabilities	2,568,598	4,560,777	-	(294,602)	6,834,773
Tax credit carried forward, etc.	3,283,519	1,695,732	-	-	4,979,251
Net deferred tax assets	<u>₩ 10,241,571</u>	<u>₩ 13,780,241</u>	<u>₩ (1,945,469)</u>	<u>₩ (706,491)</u>	<u>₩ 21,369,852</u>

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24. Income tax (cont'd)

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, overall economic condition, and industrial outlook. The Group reviews these factors on a regular basis. Deferred tax assets are recognized for deductible temporary differences as of December 31, 2023 as it is probable that taxable profit will be available against which the temporary differences can be utilized.

The Group did not have carryforward tax credit not recognized as the deferred tax assets in relation to tax credit and others as of December 31, 2023.

25. Earnings per share

The Group's basic earnings per share for each of the two years in the period ended December 31, 2023 are computed as follows (Korean won in thousands, except per share amounts):

	2023	2022
Profit for the year	₩ 22,317,719	₩ 122,451,950
Profit attributable to owners of the parent	22,317,719	122,451,950
Profit attributable to ordinary shares	22,317,719	122,451,950
Weighted-average number of ordinary shares outstanding	76,785,722	76,715,796
Basic earnings per share (Korean won)	291	1,596

The calculation of weighted-average number of issued shares outstanding for each of the two years in the period ended December 31, 2023 are as follows:

	2023			Weighted-average number of ordinary shares outstanding
	Period	Number of days	Number of shares	
Beginning issued shares	2023.1.1 ~ 2023.12.17	351	76,784,046	76,784,046
Proceeds from exercise of stock options	2023.12.18 ~ 2023.12.31	14	43,704	1,676
			<u>76,827,750</u>	<u>76,785,722</u>
	2022			Weighted-average number of ordinary shares outstanding
	Period	Number of days	Number of shares	
Beginning issued shares	2022.1.1 ~ 2022.12.31	365	76,500,000	76,500,000
Proceeds from exercise of stock options	2022.3.11 ~ 2022.12.31	296	100,000	81,096
	2022.4.5 ~ 2022.12.31	271	65,556	48,673
	2022.4.11 ~ 2022.12.31	265	118,490	86,027
			<u>76,784,046</u>	<u>76,715,796</u>

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25. Earnings per share (cont'd)

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: stock options. Calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the stock options are exercised.

	2023		2022
Profit attributable to owners of the parent (Korean won in thousands) ₩	22,317,719	₩	122,451,950
Weighted-average number of ordinary shares outstanding	76,785,722		76,715,796
Potential ordinary shares related to stock options	227,992		305,697
Weighted-average number of ordinary shares outstanding for calculation of diluted earnings per share (shares)	77,013,714		77,021,493
Diluted earnings per share (in Korean won)	290		1,590

26. Cash flows statement

Adjustments to cash flows generated from the operating activities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022
Income tax expenses	₩ (14,990,492)	₩	19,281,233
Interest expenses	1,398,139		2,460,940
Interest income	(13,555,354)		(4,854,444)
Gain on valuation of financial assets at fair value through profit or loss	(5,544,554)		-
Loss on valuation of financial assets at fair value through profit or loss	-		6,203,083
Gain on disposal of financial assets at fair value through profit or loss	(14,287,435)		(45,596,699)
Loss on disposal of financial assets at fair value through profit or loss	6,055,061		2,518,749
Loss on valuation of inventories	49,358,346		43,869,943
Gain on disposal of property, plant and equipment	(535)		(17,319)
Loss on disposal of property, plant and equipment	74,278		442,880
Loss on disposal of intangible assets	646		11,494
Impairment loss on intangible assets	1,153,638		-
Gain on disposal of right-of-use assets	(6,379)		(2,452)
Loss on disposal of right-of-use assets	47		-
Depreciation of property, plant and equipment	17,742,265		15,974,774
Depreciation of right-of-use assets	11,994,959		7,546,971
Amortization of intangible assets	5,027,479		3,714,664
Gain on valuation of derivatives	(219,403)		(7,373,334)
Loss on valuation of derivatives	28,922		67,153
Reversal of allowance for doubtful accounts	(29,334)		(21,083)
Gain on foreign currency translations	(7,449,419)		(2,984,578)
Loss on foreign currency translations	2,752,332		7,763,918
Provision for severance and retirement benefits	7,139,705		9,326,642
Gain on foreign currency transactions	(1,125,002)		-
Loss on foreign currency transactions	1,110,000		-
Provisions	(5,089,650)		5,089,650
Others	1,194,973		35,103
	₩ 42,733,233	₩	63,457,288

SK bioscience Co., Ltd. and its subsidiaries
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26. Cash flows statement (cont'd)

Details of changes in assets and liabilities from the operating activities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
Trade receivables	₩	26,673,860	₩	(4,769,956)
Other receivables		44,493,716		(39,877,460)
Inventories		52,888,273		(96,229,843)
Other current assets		17,691,584		(14,113,164)
Trade payables		(7,683,098)		(52,758,718)
Other payables		(12,544,288)		7,910,658
Other current liabilities		(20,112,591)		(44,869,819)
Payment of severance and retirement benefits		(395,095)		(13,468)
Contributions to plan assets		(19,640,000)		(20,100,000)
Transfer to and from associates		(10,462)		-
Changes in contract liabilities		(103,481,117)		56,886,557
Transaction settlements of derivatives		3,727,522		(443,452)
	₩	(18,391,696)	₩	(208,378,665)

Significant non-cash transactions for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023		2022	
Reclassification of construction-in-process to property, plant and equipment and intangible assets	₩	6,720,029	₩	13,523,382
Acquisition of lease assets		3,440,671		25,999,449
Reclassification of long-term liabilities to current portion		7,621,374		54,913,122
Reclassification of long-term financial instruments to current portion		-		5,300,000
Loss on valuation of financial assets at fair value through other comprehensive income		(71,167,070)		-
Reclassification of derivatives to current portion		-		4,718,222
Changes in other payables relating to acquisition property, plant and equipment		10,134,364		(1,312,503)

Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2023 are as follows (Korean won in thousands):

	2023			
	Beginning balance	Cash flows from financing activities	Others (*1)	Ending balance
Short-term borrowings	₩ 45,549,996	₩ (44,424,994)	₩ (1,125,002)	₩ -
Current portion of bond payables	38,008,459	(39,129,000)	1,120,541	-
Current lease liabilities	12,234,525	(11,910,221)	7,813,098	8,137,402
Non-current lease liabilities	17,543,212	-	(5,107,086)	12,436,126

(*1) The amount includes the reclassifications, interest expenses and others.

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26. Cash flows statement (cont'd)

	2022				
	Beginning balance	Cash flows from financing activities	Foreign exchange translations	Others (*1)	Ending balance
Short-term borrowings	₩ 11,671,373	₩ 32,546,113	₩ 1,332,510	₩ -	₩ 45,549,996
Current portion of bond payables	47,977,692	(48,000,000)	-	38,030,767	38,008,459
Bonds payable	35,502,635	-	2,454,000	(37,956,635)	-
Current lease liabilities	2,309,258	(7,031,220)	-	16,956,487	12,234,525
Non-current lease liabilities	8,774,626	-	-	8,768,586	17,543,212

(*1) The amount includes the reclassifications, interest expenses and others.

27. Financial risk management objectives and policies

The Group's principal financial liabilities besides derivatives include trade and other payables, borrowings and bonds payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in debt and equity instruments and enters into derivative transactions.

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

27.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise three types of risk: interest rate risk, foreign currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as of December 31, 2023 and 2022.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place as of December 31, 2023.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2023 and 2022 including the effect of hedge accounting.

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

(1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages the risk of future cash flow fluctuations in financial instruments due to changes in market interest rates by entering into currency swap and interest swap contract. The Group does not believe the fluctuation in market interest rate other than those mentioned above has a material impact on its financial statements.

(2) Foreign currency risk

Foreign currency risk is the risk in fair value or future cashflows of financial instruments that may result from changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's foreign currency financing. The Group manages its foreign currency risk periodically. In particular, the Group manages its foreign currency risk of foreign bond by entering into currency swap contracts.

Details of monetary assets and liabilities not presented in functional currency as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
	Assets	Liabilities	Assets	Liabilities (*1)
USD	₩ 32,339,780	₩ 738,262	₩ 245,617,211	₩ 47,958,584
EUR	2,101,146	1,133,942	-	578,666
AUD	254,471	-	-	-
GBP	-	-	-	130,384
	₩ 34,695,397	₩ 1,872,204	₩ 245,617,211	₩ 48,667,634

(*1) Bond payables in foreign currency for which currency swap is used were excluded because they are considered not exposed to foreign currency risk.

The impact of 5% change in foreign exchange rate on the Group's profit before income tax for each of the two years in the period ended December 31, 2023 is as follows (Korean won in thousands):

	2023		2022	
	5% point increase	5% point decrease	5% point increase	5% point decrease
USD	₩ 1,580,076	₩ (1,580,076)	₩ 9,882,931	₩ (9,882,931)
EUR	48,360	(48,360)	(28,933)	28,933
AUD	12,724	(12,724)	-	-
GBP	-	-	(6,519)	6,519
	₩ 1,641,160	₩ (1,641,160)	₩ 9,847,479	₩ (9,847,479)

The Group measures its foreign currency risk on a regular basis and effectively manages the risk through currency futures, thereby mitigating the impact of the risk on the Group's profit and loss.

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

(3) Other price risk

Other price risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Meanwhile, the listed equity securities among the financial assets measured at fair value through other comprehensive income held by the Group are exposed to price risk. The impact of 5% change in share price on the Group's other comprehensive income for the year ended December 31, 2023 is as follows (Korean won in thousands):

	5% point increase		5% point decrease	
Other comprehensive income before tax	₩	2,011,464	₩	(2,011,464)
Tax effect		(464,648)		464,648
Other comprehensive income after tax	₩	1,546,816	₩	(1,546,816)

27.2 Credit risk

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

(1) Trade receivables and other receivables, contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The Group evaluates the impairment of trade receivables and other receivables, contract assets at every reporting date. In addition, a large number of receivables in low value are included in a group of financial assets with similar credit risk and are collectively considered for impairment.

(2) Other assets

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

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

27.3 Liquidity risk

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

The Group maintains short-term and long-term capital management plans to monitor its risk to a shortage of funds. The Group uses a liquidity planning tool to match the maturity profile for its financial liabilities and assets by considering the maturity of financial instruments and the estimated operating cash flows.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2023 and 2022 is as follows (Korean won in thousands):

	2023					Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Trade and other payables	₩ 45,602,461	₩ -	₩ -	₩ -	₩ -	₩ 45,602,461
Other current liabilities (*1)	2,367,946	-	-	-	-	2,367,946
Current lease liabilities	8,381,661	-	-	-	-	8,381,661
Non-current lease liabilities	-	4,269,822	9,706,475	-	-	13,976,297
	<u>₩ 56,352,068</u>	<u>₩ 4,269,822</u>	<u>₩ 9,706,475</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 70,328,365</u>

(*1) The amount includes guarantee deposits received.

	2022					Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Trade and other payables	₩ 55,705,312	₩ -	₩ -	₩ -	₩ -	₩ 55,705,312
Other current liabilities (*1)	1,960,755	-	-	-	-	1,960,755
Short-term borrowings	45,549,996	-	-	-	-	45,549,996
Current lease liabilities	12,527,397	-	-	-	-	12,527,397
Bonds payable (*2)	39,265,307	-	-	-	-	39,265,307
Non-current lease liabilities	-	7,704,268	10,460,801	1,720,993	-	19,886,062
	<u>₩ 155,008,767</u>	<u>₩ 7,704,268</u>	<u>₩ 10,460,801</u>	<u>₩ 1,720,993</u>	<u>₩ -</u>	<u>₩ 174,894,829</u>

(*1) The amount includes guarantee deposits received.

(*2) The amount includes interest expenses.

27.4 Capital management

The primary objective of the Group's capital management is to ensure that the Group continues as a going concern and minimizes the cost of raising capital in order to support its business and maximize the shareholder value.

The Group manages and adjusts its capital structure according to changes in economic conditions. To maintain the sound capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies or processes for managing capital for the year ended December 31, 2023.

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

Details of the Group's debt-to-equity ratio as of December 31, 2023 and 2022 are as follows (Korean won in thousands):

	2023		2022	
Total liabilities	₩	148,583,864	₩	400,229,387
Adjustment: cash and cash equivalent		(127,025,639)		(225,287,448)
Adjusted liabilities	₩	21,558,225	₩	174,941,939
Total equity	₩	1,703,855,316	₩	1,741,701,996
Debt-to-equity ratio		1.27%		10.04%

28. Fair values

28.1 Fair value hierarchy

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The level of fair value measurements as of December 31, 2023 and 2022 is as follow (Korean won in thousands):

	2023			
	Level 1	Level 2	Level 3 (*1)	Total
Financial assets:				
Short-term financial instruments	₩ -	₩ 871,815,603	₩ -	₩ 871,815,603
Derivatives assets	-	219,403	-	219,403
Long-term financial instruments	40,229,280	-	2,500,083	42,729,363
	<u>₩ 40,229,280</u>	<u>₩ 872,035,006</u>	<u>₩ 2,500,083</u>	<u>₩ 914,764,369</u>
Financial liabilities:				
Derivatives liabilities	₩ -	₩ 28,922	₩ -	₩ 28,922

(*1) These are non-marketable equity securities, of which the cost is determined to be an appropriate estimate of fair value.

	2022			
	Level 1	Level 2	Level 3 (*1)	Total
Financial assets:				
Short-term financial instruments	₩ -	₩ 1,250,218,125	₩ -	₩ 1,250,218,125
Derivatives assets	-	9,637,555	-	9,637,555
Long-term financial instruments	-	-	1,500,082	1,500,082
	<u>₩ -</u>	<u>₩ 1,259,855,680</u>	<u>₩ 1,500,082</u>	<u>₩ 1,261,355,762</u>
Financial liabilities:				
Derivatives liabilities	₩ -	₩ 67,153	₩ -	₩ 67,153

(*1) These are non-marketable equity securities, of which the cost is determined to be an appropriate estimate of fair value.

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28. Fair value (cont'd)

No significant change between hierarchy levels 1 and 2 occurred during the year ended December 31, 2023.

In determining fair value measurement, the impact of potential matters, including legislation, which may affect the fair value measurement of assets and liabilities in the consolidated financial statements has been considered. These risks are included as key assumptions where they materially impact the measurement of recoverable amount. These assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts. As of December 31, 2023, the impact is not material to the Group's consolidated financial statements.

Audit opinion on internal control over financial reporting for consolidation purposes

The accompanying independent auditor's report on internal control over financial reporting for consolidation purposes is attached as a result of auditing the internal control over financial reporting of SK bioscience Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") and the consolidated financial statements of the Group for the year ended December 31, 2023 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

Attachments:

1. Independent auditor's report on internal control over financial reporting for consolidation purposes
2. Report on the effectiveness of the internal control over financial reporting for consolidation purpose

Independent auditor's report on internal control over financial reporting for consolidation purposes

(English translation of a report originally issued in Korean)

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

Opinion on internal control over financial reporting for consolidation purposes

We have audited the internal control over financial reporting ("ICFR") for consolidation purposes of SK bioscience Co., Ltd. (the "Company" and its subsidiaries (collectively referred to as the "Group") based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea (the "ICFR Committee") as of December 31, 2023.

In our opinion, the Group's ICFR for consolidation purposes has been designed and is operating effectively, in all material respects, as of December 31, 2023 in accordance with the Conceptual Framework for Design and Operation of ICFR.

We also have audited, in accordance with Korean Standards on Auditing ("KSA"), the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of comprehensive income or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of material accounting policy information, of the Group, and our report dated March 15, 2024 expressed an unqualified opinion thereon.

Basis for opinion on ICFR for consolidation purposes

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

Responsibilities of management and those charged with governance for ICFR for consolidation purposes

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

Those charged with governance are responsible for overseeing the Group's ICFR process for consolidation purposes.

Auditor's responsibilities for the audit of ICFR for consolidation purposes

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

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

ICFR definition and inherent limitations

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tae-Hwan Kim.



March 15, 2024

This audit report is effective as of March 15, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Group's ICFR for consolidation purposes and may result in modifications to this report.

Report on the effectiveness of internal control over financial reporting for consolidation purpose

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

We, as the Chief Executive Officer and the Internal Accounting Manager of SK bioscience Co., Ltd. ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting for consolidation purpose ("ICFR for consolidation purpose") for the year ending December 31, 2023.

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

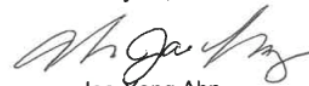
We evaluated whether the Company effectively designed and operated its ICFR for consolidation purpose to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

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

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

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

February 21, 2024



Jae-Yong Ahn,
Chief Executive Officer

Jaeyoung, Choi
Jae-Young Choi,

Internal Accounting Manager