

# **SK hynix Inc. and Subsidiaries**

**Consolidated Financial Statements  
December 31, 2022 and 2021**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
SK hynix Inc.

### Opinion

We have audited the accompanying consolidated financial statements of SK hynix Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. 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 of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

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

(1) Fair value measurement of financial assets related to the Group's investments to KIOXIA Holdings Corporation presented as long-term investment assets

#### *Reasons why the matter was determined to be a key audit matter*

The Group has equity investment in a special purpose entity ("SPC1") and convertible bonds ("SPC2") in relation to investments in KIOXIA Holdings Corporation ("KIOXIA") with total amount of ₩ 5,286,084 million, which represents 5.09% of consolidated total assets as at December 31, 2022, and the Group recognized ₩ 1,088,280 million as loss on valuation of the financial assets for the year ended December 31, 2022 with respect to the investments. The financial assets are non-listed and measured at the fair value using significant unobservable inputs; therefore, the financial assets are classified to Level 3 of the fair value.

The fair value of SPC1 and SPC2 was measured in consideration of the profit-sharing agreement between investors based on the estimated equity value of KIOXIA, a non-public company, and the Group used an independent external expert for the fair value measurement.

The carrying amount of the financial assets is material in the consolidated financial statements and the selection of the valuation techniques that will be applied in the fair value measurement, assumptions and estimates of inputs that have significant impacts on the fair value measurement involve the Group management's judgement. Accordingly, we determined the fair value measurement of the financial assets as a key audit matter.

#### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures, including the use of auditor's experts.

- Obtained an understanding and evaluated the Group's accounting policy, process and internal controls including management's review and approval in relation to the fair value measurements of the financial assets
- Evaluated the competence and independence of external specialist used by management
- Reviewed the relevant contracts to understand the investment conditions related to the financial asset investment and reviewed whether it is appropriately reflected in management's valuation details
- Assessed the appropriateness of the valuation technique used in the fair value estimates by management
- Assessed the reasonableness of key assumptions applied in fair value estimates of SPC1, SPC2 and equity value of KIOXIA
- Performed a lookback analysis by comparing the estimation of prior year to actual operating results to review whether KIOXIA equity value measurement includes any optimistic assumptions
- Reviewed the consistency of the sales growth rate, operating profit margin rate and capital expenditure forecasts applied in the equity value measurement of KIOXIA with the past growth and market conditions
- Evaluated the results of a sensitivity analysis on the discount rates and permanent growth rate performed by management to assess the impact of changes in key assumptions on the fair value measurement

#### (2) Appropriateness of machinery's depreciation starting point

##### *Reasons why the matter was determined to be a key audit matter*

The Group's property, plant and equipment amount to ₩ 60,228,528 million, of which the machinery accounts for ₩ 38,941,841 million. Regarding the recognition of depreciation expenses for machinery, the Group starts depreciating machinery when the acquisition and installation of the machinery is complete, and it is ready for its intended use. During the current year ended December 31, 2022, the Group has started to depreciate the machinery amounting to ₩ 16,451,048 million after determining that the machinery is ready for its intended use.

The size of the investment in machinery that the Group makes annually for the maintenance and expansion of production plants is significant and the effect of depreciation amount on the consolidated financial statements is significant depending on the determination when it is ready for its intended use. Accordingly, we determined the appropriateness of depreciation starting point as a key audit matter.

### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures.

- Obtained an understanding on the Group's policy, process and internal controls in relation to the determination on when to start depreciation of the machinery
- Evaluated the Group's internal controls in relation to the determination on when the machinery is ready for its intended use and when its depreciation begins including the machinery transferred from construction-in-progress
- Assessed internal controls for identifying and reviewing the reasons for assets remaining as assets under constructions for long time
- Inspected evidence documents used by the Group in determining the depreciation starting point of the machinery
- Observed and made inquiries on operations status of key production facilities invested during the current year
- Made inquiries on when certain construction-in-progress is expected to be ready for its intended use and start depreciation and reviewed the relevant evidence documents

### (3) Impairment test of CGUs

#### *Reasons why the matter was determined to be a key audit matter*

As described in Note 14 to the consolidated financial statements, the management determined that these represent indications of impairment on the Cash Generating Units (CGUs) that semiconductor market conditions are sharply declined for the year ended December 31, 2022 and the market capitalization of the Group is significantly less than the carrying amount of its net assets as at December 31, 2022. The Group performed impairment assessment for the CGUs consisting of its existing business ("existing CGU") and the CGUs consisting of entities such as SK hynix NAND Product Solutions Corp. and others, which were incorporated into the scope of the consolidation through the acquisition the Intel NAND business ("Solidigm CGU"), by estimating recoverable amounts in accordance with Korean IFRS 1036 *Impairment of Assets*. As a result of the impairment assessment, the Group recognized as impairment loss on intangible assets of ₩ 1,344,440 million in the consolidated financial statements, judging that there was an impairment in Solidigm CGU.

We considered that the impairment test of CGUs was a key audit matter given that the size of each CGUs was significant level and the management's judgments were involved in the assessment of recoverable amount when performing an impairment test.

#### *How our audit addressed the Key Audit Matter*

We have performed the following audit procedures to address the Key Audit Matter.

- Assessed the qualification and independence of external experts engaged by management
- Reviewed the business plan presented by management and reviewed whether it is appropriately reflected in management's valuation details
- Assessed the appropriateness of valuation technique model used by management and external experts in estimating the recoverable amount
- Assessed the reasonableness of the key assumptions including sales growth rate, operating profit rate and capital expenditures applied in estimating the recoverable amount
- Reviewed the management's assumption and calculation process to determine discount rate using observable information

- Assessed the result of sensitivity analysis of the discount rates and permanent growth rates used by management in order to assess the impacts of changes in key assumptions on the valuation.

### **Emphasis of Matters**

As described in Note 37 (3), the Group acquired Intel Nand business during the prior year and could not complete its fair value measurement of the assets acquired and liabilities assumed since the deal closing was consummated nearby the year end. Accordingly, provisional amounts of assets and liabilities were reported in the consolidated financial statements for the year ended December 31, 2021. During the year ended December 31, 2022, the provisional amount recognized at the acquisition date was adjusted retrospectively and adjusted assets and liabilities were recognized based on newly obtained information about facts and circumstances that existed as of the acquisition date. The prior year consolidated financial statements presented for comparison purpose are restated to reflect such adjustments.

### **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 Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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 Korean Standards on Auditing 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 Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 financial statements, including the disclosures, and whether the 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 on the audit resulting in this independent auditor's report is Si-Chang, Choi, Certified Public Accountant.

Seoul, Korea

March 10, 2023

This report is effective as of March 10, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

(In millions of Korean won)

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,6	₩ 4,977,007	₩ 5,057,982
Short-term financial instruments	5,6,7	415,625	474,637
Short-term investment assets	5,6	1,016,360	3,139,923
Trade receivables, net	5,6,8,33	5,186,054	8,267,111
Loans and other receivables, net	5,6,8,33	272,512	171,464
Inventories, net	9	15,664,707	8,950,087
Current tax assets		14,523	4,113
Other current assets	10	1,186,544	841,728
Other financial assets	5,6,7	-	30
		<u>28,733,332</u>	<u>26,907,075</u>
<b>Non-current assets</b>			
Investments in associates and joint ventures	11	1,352,845	1,410,428
Long-term investment assets	5,6	5,733,544	6,665,513
Loans and other receivables, net	5,6,8,33	354,167	339,517
Other financial assets	5,6,7,22	115,712	91,139
Property, plant and equipment, net	12,15,34	60,228,528	53,225,667
Right-of-use assets, net	13,33	1,779,985	1,597,344
Intangible assets, net	14	3,512,107	4,797,162
Investment property, net	12,15	223	164,197
Deferred tax assets	21,31	657,115	590,244
Employee benefit assets	20	1,332,253	428,962
Other non-current assets	10	71,701	129,277
		<u>75,138,180</u>	<u>69,439,450</u>
<b>Total assets</b>		<u>₩ 103,871,512</u>	<u>₩ 96,346,525</u>

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position, Continued**  
**December 31, 2022 and 2021**

(In millions of Korean won)

	Notes	2022	2021
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,6,33	₩ 2,186,230	₩ 1,359,247
Other payables	5,6,33,34,37	5,445,335	4,606,716
Other non-trade payables	5,6,16,33	3,024,648	2,278,316
Borrowings	5,6,17,33,34	7,423,247	2,880,763
Provisions	19	251,889	10,167
Current tax liabilities		696,553	3,002,734
Lease liabilities	5,6,13,33	280,873	302,059
Other current liabilities	18	534,335	294,780
Other financial liabilities	5,6,34	586	613
		<u>19,843,696</u>	<u>14,735,395</u>
<b>Non-current liabilities</b>			
Long-term other payables	5,6,34,37	2,958,659	2,693,301
Other non-trade payables	5,6,16,33	28,083	32,215
Borrowings	5,6,17,34	15,571,357	14,743,046
Provisions	19	1,404	-
Defined benefit liabilities, net	20	69,952	1,200
Deferred tax liabilities	21	382,477	627,995
Lease liabilities	5,6,13,33	1,516,208	1,223,703
Other financial liabilities	5,6,22,34	4,290	4,606
Other non-current liabilities	18	204,844	94,006
		<u>20,737,274</u>	<u>19,420,072</u>
<b>Total liabilities</b>		<u>40,580,970</u>	<u>34,155,467</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Capital stock	23	3,657,652	3,657,652
Capital surplus	23	4,336,170	4,334,643
Other equity	23,36	(2,311,409)	(2,294,562)
Accumulated other comprehensive income	24	898,682	675,271
Retained earnings	25	56,685,260	55,784,068
<b>Total equity attributable to owners of the Parent Company</b>		<u>63,266,355</u>	<u>62,157,072</u>
<b>Non-controlling interests</b>		<u>24,187</u>	<u>33,986</u>
<b>Total equity</b>		<u>63,290,542</u>	<u>62,191,058</u>
<b>Total liabilities and equity</b>		<u>₩ 103,871,512</u>	<u>₩ 96,346,525</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2022 and 2021**

(In millions of Korean won, except per share information)

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>	4,26,33	₩ 44,621,568	₩ 42,997,792
Cost of sales	28,33	28,993,713	24,045,600
<b>Gross profit</b>		15,627,855	18,952,192
Selling and administrative expenses	27,28	8,818,438	6,541,852
<b>Operating profit</b>		6,809,417	12,410,340
Finance income	5,29	3,714,278	2,377,516
Finance expenses	5,29	5,091,553	1,469,860
Share of profit of equity-accounted investees	11	131,186	162,280
Other income	30	241,371	116,135
Other expenses	30	1,801,919	180,424
<b>Profit before income tax</b>		4,002,780	13,415,987
Income tax expense	31	1,761,111	3,799,799
<b>Profit for the year</b>		2,241,669	9,616,188
<b>Other comprehensive income (loss)</b>			
<b>Item that will never be reclassified to profit or loss:</b>			
Remeasurements of defined benefit liability, net of tax	20	349,453	(13,694)
<b>Items that are or may be reclassified to profit or loss:</b>			
Foreign operations – foreign currency translation differences, net of tax	24	154,321	963,288
Gain on valuation of derivatives, net of tax	22,24	5,725	10,143
Equity-accounted investees – share of other comprehensive income, net of tax	11,24	71,000	111,593
<b>Other comprehensive income for the year, net of tax</b>		580,499	1,071,330
<b>Total comprehensive income for the year</b>		₩ 2,822,168	₩ 10,687,518
<b>Profit attributable to:</b>			
Owners of the Parent Company		₩ 2,229,560	₩ 9,602,316
Non-controlling interests		12,109	13,872
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		2,802,424	10,669,346
Non-controlling interests		19,744	18,172
<b>Earnings per share</b>	32		
Basic earnings per share (in won)		3,242	13,989
Diluted earnings per share (in won)		3,242	13,984

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2022 and 2021**

**Attributable to owners of the Parent Company**

(In millions of Korean won)

	Notes	Attributable to owners of the Parent Company				Total	Non-controlling interests	Total equity	
		Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)				
<b>Balance at January 1, 2021</b>		₩ 3,657,652	₩ 4,143,736	₩ (2,503,122)	₩ (405,453)	₩ 46,995,728	₩ 51,888,541	₩ 20,556	₩ 51,909,097
<b>Comprehensive income:</b>									
Profit for the year		-	-	-	-	9,602,316	9,602,316	13,872	9,616,188
Remeasurements of defined benefit liabilities, net of tax	20	-	-	-	-	(13,694)	(13,694)	-	(13,694)
Other comprehensive income of associates, net of tax	11,24	-	-	-	111,593	-	111,593	-	111,593
Loss on valuation of derivatives, net of tax	22,24	-	-	-	10,143	-	10,143	-	10,143
Foreign operations – foreign currency translation differences, net of tax	24	-	-	-	958,988	-	958,988	4,300	963,288
<b>Total comprehensive income for the year</b>		-	-	-	1,080,724	9,588,622	10,669,346	18,172	10,687,518
<b>Transactions with owners of the Parent Company:</b>									
Dividends paid	25	-	-	-	-	(800,282)	(800,282)	(4,742)	(805,024)
Disposal of treasury shares	23	-	191,247	206,308	-	-	397,555	-	397,555
Share-based payment	36	-	(340)	2,252	-	-	1,912	-	1,912
<b>Total transactions with owners of the Parent Company</b>		-	190,907	208,560	-	(800,282)	(400,815)	(4,742)	(405,557)
<b>Balance at December 31, 2021</b>		₩ 3,657,652	₩ 4,334,643	₩ (2,294,562)	₩ 675,271	₩ 55,784,068	₩ 62,157,072	₩ 33,986	₩ 62,191,058

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Equity, Continued**  
**Years Ended December 31, 2022 and 2021**

	Attributable to owners of the Parent Company									
	Notes	Capital stock	Capital surplus	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity	
<b>Balance at January 1, 2022</b>		₩ 3,657,652	₩ 4,334,643	₩ (2,294,562)	₩ 675,271	₩ 55,784,068	₩ 62,157,072	₩ 33,986	₩ 62,191,058	
<b>Comprehensive income:</b>										
Profit for the year		-	-	-	-	2,229,560	2,229,560	12,109	2,241,669	
Remeasurements of defined benefit liabilities, net of tax	20	-	-	-	-	349,453	349,453	-	349,453	
Other comprehensive income of associate, net of tax	11,24	-	-	-	71,000	-	71,000	-	71,000	
Gain on valuation of derivatives, net of tax	22,24	-	-	-	5,725	-	5,725	-	5,725	
Foreign operations – foreign currency translation differences, net of tax	24	-	-	-	146,686	-	146,686	7,635	154,321	
<b>Total comprehensive income for the year</b>		-	-	-	223,411	2,579,013	2,802,424	19,744	2,822,168	
<b>Transactions with owners of the Parent Company:</b>										
Decrease of non-controlling interests		-	-	-	-	-	-	(26,459)	(26,459)	
Dividends paid	25	-	-	-	-	(1,677,821)	(1,677,821)	(3,084)	(1,680,905)	
Disposal of treasury stock	23	-	1,527	1,731	-	-	3,258	-	3,258	
Share-based payment	36	-	-	7,241	-	-	7,241	-	7,241	
Changes in terms and conditions of share-based payment.	23,36	-	-	(25,819)	-	-	(25,819)	-	(25,819)	
<b>Total transactions with owners of the Parent Company</b>		-	1,527	(16,847)	-	(1,677,821)	(1,693,141)	(29,543)	(1,722,684)	
<b>Balance at December 31, 2022</b>		₩ 3,657,652	₩ 4,336,170	₩ (2,311,409)	₩ 898,682	₩ 56,685,260	₩ 63,266,355	₩ 24,187	₩ 63,290,542	

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes

**SK hynix Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

(In millions of Korean won)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	35	₩ 19,083,888	₩ 20,951,478
Interest received		77,430	17,341
Interest paid		(494,513)	(240,942)
Dividends received		93,067	84,679
Income tax paid		(3,979,355)	(1,014,908)
<b>Net cash inflow from operating activities</b>		<u>14,780,517</u>	<u>19,797,648</u>
<b>Cash flows from investing activities</b>			
Decrease in short-term financial instruments		2,022,053	2,572,550
Increase in short-term financial instruments		(1,966,360)	(2,600,586)
Increase in short-term investment assets, net		2,195,111	(1,548,448)
Decrease in other financial assets		29,950	213
Increase in other financial assets		(600)	(29,830)
Decrease in loans and other receivables		39,051	47,027
Increase in loans and other receivables		(72,248)	(79,537)
Proceeds from disposal of long-term investment assets		4,306	45,972
Acquisitions of long-term investment assets		(115,537)	(130,318)
Proceeds from disposal of property, plant and equipment		323,718	79,940
Acquisitions of property, plant and equipment		(19,010,261)	(12,486,635)
Proceeds from disposal of intangible assets		1,018	2,073
Acquisitions of intangible assets		(738,621)	(973,893)
Proceeds from disposal of investment properties		263,211	-
Proceeds from disposal of investments in associates		209,843	-
Acquisitions of investments in associates		(40,717)	(44,862)
Acquisitions of business		(1,027,663)	(7,250,087)
Others		-	4,144
<b>Net cash outflow from investing activities</b>		<u>(17,883,746)</u>	<u>(22,392,277)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	35	11,917,454	8,933,737
Repayments of borrowings	35	(7,124,565)	(3,320,911)
Repayments of lease liabilities	35	(301,858)	(323,975)
Dividends paid		(1,680,905)	(805,024)
Disposal of treasury stock		11,653	8,484
Exercise stock-option		17	2
<b>Net cash inflow from financing activities</b>		<u>2,821,796</u>	<u>4,492,313</u>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<u>200,458</u>	<u>184,309</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(80,975)	2,081,993
<b>Cash and cash equivalents at the beginning of the year</b>		5,057,982	2,975,989
<b>Cash and cash equivalents at the end of the year</b>		<u>₩ 4,977,007</u>	<u>₩ 5,057,982</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**1. General Information**

(1) General information about SK hynix Inc. (the “Parent Company”) and its subsidiaries (collectively the “Group”) is as follows:

The Parent Company manufactures, distributes and sells semiconductor products. The Parent Company was established on October 15, 1949 and its shares have been listed on the Korea Exchange since 1996. The Parent Company’s headquarters is located at 2091 Gyeongchung-daero, Bubal-eup, Icheon-si, Gyeonggi-do, South Korea, and the Group has manufacturing facilities in Icheon-si and Cheongju-si, South Korea, and Wuxi, Chongqing and Dalian, China.

As of December 31, 2022, the shareholders of the Parent Company are as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
SK Square Co., Ltd.	146,100,000	20.07
Other investors	541,551,040	74.39
Treasury shares	40,351,325	5.54
	<u>728,002,365</u>	<u>100</u>

The Parent Company’s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange and the Luxembourg Stock Exchange, respectively.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

#### 1. General Information, Continued

(2) Details of the Group's consolidated subsidiaries as of December 31, 2022 and 2021 are as follows:

Company	Location	Business	Ownership (%)	
			2022	2021
SK hyeng Inc.	Korea	Construction and service	100	100
SK hystec Inc.	Korea	Business support and service	100	100
HappyNarae Co., Ltd.	Korea	Industrial material supply	100	100
Happymore Inc.	Korea	Semiconductor apparel manufacturing, baking and services	100	100
SK hynix system ic Inc.	Korea	Semiconductor research and development and business support	100	100
SK hynix America Inc.	U.S.A	Semiconductor sales	97.74	97.74
SK hynix Deutschland GmbH	Germany	Semiconductor sales	100	100
SK hynix Asia Pte.Ltd.	Singapore	Semiconductor sales	100	100
SK hynix Semiconductor Hong Kong Ltd.	Hong Kong	Semiconductor sales	100	100
SK hynix Japan Inc.	Japan	Semiconductor sales	100	100
SK hynix U.K. Ltd.	U.K	Semiconductor sales	100	100
SK hynix Semiconductor India Private Ltd. <sup>1</sup>	India	Semiconductor sales	100	100
SK hynix Semiconductor (Shanghai) Co.,Ltd.	China	Semiconductor sales	100	100
SK hynix(Wuxi) Semiconductor Sales Ltd.	China	Semiconductor sales	100	100
SK hynix Semiconductor Taiwan Inc.	Taiwan	Semiconductor sales	100	100
SK hynix Semiconductor (China) Ltd.	China	Semiconductor manufacturing	100	100
SK hynix Semiconductor (Chongqing) Ltd. <sup>2</sup>	China	Semiconductor manufacturing	100	100
SK APTECH Ltd.	Hong Kong	Overseas investment	100	100
SK hynix Ventures Hong Kong Ltd.	Hong Kong	Overseas investment	100	100
SK hynix Italy S.r.l	Italy	Semiconductor research and development	100	100
SK hynix memory solutions America Inc. <sup>12, 13</sup>	U.S.A	Semiconductor research and development	99.89	100
SK hynix memory solutions Taiwan Ltd.	Taiwan	Semiconductor research and development	100	100
SK hynix memory solutions Eastern Europe, LLC.	Belarus	Semiconductor research and development	100	100
SK hynix (Wuxi) Investment Ltd. <sup>3</sup>	China	Overseas investment	100	100
SK hynix (Wuxi) Industry Development Ltd. <sup>4</sup>	China	Foreign hospital construction	100	100
SK hynix Happiness (Wuxi) Hospital Management Ltd. <sup>4</sup>	China	Foreign hospital operation	70	70
SK hynix cleaning (Wuxi) Ltd. <sup>4</sup>	China	Building maintenance	100	100
SK hynix system ic (Wuxi) Co., Ltd. <sup>5</sup>	China	Overseas Semiconductor manufacturing and sales	100	100
SUZHOU HAPPYNARAE Co., Ltd. <sup>6</sup>	China	Overseas industrial material supply	100	100
CHONGQING HAPPYNARAE Co. Ltd. <sup>7</sup>	China	Overseas industrial material supply	100	100

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

SK hynix (Wuxi) Education Technology Co.,Ltd <sup>4</sup>	China	Overseas Education	100	100
SkyHigh Memory Limited <sup>5</sup>	Hong Kong	Overseas Semiconductor manufacturing and sales	60	60
Gauss Labs Inc.	U.S.A	Overseas telecommunication of information	100	100
SkyHigh Memory China Limited <sup>9</sup>	China	Semiconductor sales support	60	60
SkyHigh Memory Limited Japan <sup>9</sup>	Japan	Semiconductor sales support	60	60
HappyNarae America LLC <sup>6</sup>	U.S.A	Overseas industrial material supply	100	100
HappyNarae Hungary Kft <sup>6</sup>	Hungary	Overseas industrial material supply	100	100
SK hynix Ventures America LLC	U.S.A	Overseas investment	100	100
SK hynix (Wuxi) Education Service Development Co., Ltd. <sup>10</sup>	China	Overseas education	100	100
SK hynix NAND Product Solutions Corp. <sup>13</sup>	U.S.A	Semiconductor sales and research and development	99.89	100
SK hynix NAND Product Solutions Taiwan Co., Ltd. <sup>8, 13</sup>	Taiwan	Semiconductor research and development and sales	99.89	100
SK hynix NAND Product Solutions Canada Ltd. <sup>8, 13</sup>	Canada	Semiconductor research and development	99.89	100
SK hynix NAND Product Solutions Mexico, S. DE R.L. DE C.V. <sup>8, 13</sup>	Mexico	Semiconductor research and development	99.89	100
SK hynix Semiconductor (Dalian) Co., Ltd.	China	Semiconductor manufacturing	100	100
SK hynix NAND Product Solutions UK Limited <sup>8, 13</sup>	U.K	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions Israel Ltd. <sup>8, 13</sup>	Israel	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions Japan G.K. <sup>8, 13</sup>	Japan	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions International LLC <sup>8, 13</sup>	U.S.A	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions Asia Pacific LLC <sup>8, 13</sup>	U.S.A	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions Singapore Pte. Ltd. <sup>8, 13</sup>	Singapore	Semiconductor sales	99.89	100
SK hynix NAND Product Solutions Malaysia Sdn. Bhd. <sup>8, 13</sup>	Malaysia	Semiconductor sales	99.89	100
SK HYNIX NAND PRODUCT SOLUTIONS POLAND sp. z o.o. <sup>8, 13</sup>	Poland	Semiconductor research and development	99.89	100
SK hynix NAND Product Solutions (Beijing) Co., Ltd. <sup>8, 13</sup>	China	Semiconductor sales	99.89	100

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

SK Hynix NAND Product Solutions (Shanghai) Co., Ltd. <sup>8,13</sup>	China	Semiconductor research and development	99.89	100
Key Foundry Co., Ltd. <sup>14</sup>	Korea	Semiconductor sales	100	-
KEY FOUNDRY, INC. <sup>14</sup>	U.S.A	Semiconductor sales	100	-
KEY FOUNDRY SHANGHAI CO.,LTD. <sup>14</sup>	China	Semiconductor sales	100	-
KEY FOUNDRY LTD. <sup>14</sup>	Taiwan	Semiconductor sales	100	-
Intel NDTM US LLC <sup>11</sup>	U.S.A	Semiconductor research and development	-	-
Intel Semiconductor Storage Technology (Dalian) Ltd. <sup>11</sup>	China	Semiconductor manufacturing support	-	-
MMT (Money Market Trust)	Korea	Money Market Trust	100	100

<sup>1</sup> Subsidiary of SK hynix Asia Pte. Ltd.

<sup>2</sup> Subsidiary of SK APTECH Ltd.

<sup>3</sup> Subsidiary of SK hynix Semiconductor (China) Ltd.

<sup>4</sup> Subsidiary of SK hynix (Wuxi) Investment Ltd.

<sup>5</sup> Subsidiary of SK hynix system ic

<sup>6</sup> Subsidiary of HappyNarae Co., Ltd.

<sup>7</sup> Subsidiary of SUZHOU HAPPYNARAE Co., Ltd.

<sup>8</sup> Subsidiary of SK hynix NAND Product Solutions Corp.

<sup>9</sup> Subsidiary of SkyHigh Memory Limited

<sup>10</sup> Subsidiary of SK hynix (Wuxi) Education Technology Co., Ltd.

<sup>11</sup> Intel holds the legal ownership of these entities as of December 31, 2022 and the Group is expected to acquire ownership through the 2nd Closing of Intel NAND business acquisition expected in 2025. However, the Group consolidated these entities as of December 31, 2022 since the Group determined that it has control over these entities.

<sup>12</sup> The Parent Company transferred its interests to SK hynix Nand Product Solutions Corp., its subsidiary, and employees of the subsidiary during the years period ended December 31, 2022.

<sup>13</sup> The Parent Company's ownership interest decreases due to payments of stock options to employees of SK hynix NAND Product Solutions Corp. and its subsidiary during the year ended December 31, 2022.

<sup>14</sup> The Group consolidated four entities with 100% equity acquisition completed, as of December 31, 2022.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**1. General Information, Continued**

(3) Changes in the Group's consolidated subsidiaries for the year ended December 31, 2021 are as follows:

Type	Company	Reason
Addition	Key Foundry Co., Ltd.	Acquisition of equity shares
Addition	KEY FOUNDRY, INC.	Acquisition of equity shares
Addition	KEY FOUNDRY SHANGHAI CO.,LTD.	Acquisition of equity shares
Addition	KEY FOUNDRY LTD.	Acquisition of equity shares

(4) Major subsidiaries' summarized statements of financial position as of December 31, 2022 and December 31, 2021 are as follows:

(In millions of Korean won)

	December 31, 2022			December 31, 2021		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
SK hynix America Inc.	₩ 3,407,756	₩ 2,820,013	₩ 587,743	₩ 4,454,161	₩ 3,957,705	₩ 496,456
SK hynix Asia Pte. Ltd.	388,934	281,014	107,920	730,395	633,206	97,189
SK hynix Semiconductor Hong Kong Ltd.	236,723	58,074	178,649	584,669	421,736	162,933
SK hynix U.K. Ltd.	313,691	286,308	27,383	455,626	432,541	23,085
SK hynix Semiconductor Taiwan Inc.	156,135	130,036	26,099	580,449	550,944	29,505
SK hynix (Wuxi) Semiconductor Sales Ltd.	871,993	383,653	488,340	1,537,853	1,159,683	378,170
SK hynix Semiconductor (China) Ltd.	12,127,232	6,015,062	6,112,170	13,097,483	7,006,089	6,091,394
SK hynix Semiconductor (Chongqing) Ltd.	1,033,694	244,180	789,514	1,061,317	314,466	746,851
SK hynix Japan Inc.	385,040	307,751	77,289	448,018	374,525	73,493
SK hynix system ic (Wuxi) Co., Ltd.	1,423,602	1,331,480	92,122	865,599	813,143	52,456
HappyNarae Co., Ltd	205,797	145,968	59,829	200,002	141,881	58,121
SK hynix NAND Product Solutions Corp. and subsidiaries	13,475,178	10,333,565	3,141,614	13,055,743	9,586,679	3,469,064

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**1. General Information, Continued**

(5) Major subsidiaries' summarized statements of comprehensive income (loss) for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>		<b>2021</b>	
	<b>Revenue</b>	<b>Net profit (loss)</b>	<b>Revenue</b>	<b>Net profit (loss)</b>
SK hynix America Inc.	₩ 19,591,498	₩ 58,142	₩ 17,211,443	₩ 67,238
SK hynix Asia Pte. Ltd.	2,686,840	4,139	3,205,036	2,700
SK hynix Semiconductor Hong Kong Ltd.	2,045,409	4,508	2,566,377	2,267
SK hynix U.K. Ltd.	1,261,079	2,758	1,328,193	1,357
SK hynix Semiconductor Taiwan Inc.	2,245,733	2,523	3,016,752	5,219
SK hynix (Wuxi) Semiconductor Sales Ltd.	9,524,281	126,654	12,938,905	119,984
SK hynix Semiconductor (China) Ltd.	5,694,063	(464,894)	4,789,444	43,552
SK hynix Semiconductor (Chongqing) Ltd.	1,100,948	67,758	971,721	71,559
SK hynix Japan Inc.	696,050	9,478	759,183	5,448
SK hynix system ic (Wuxi) Co., Ltd.	847,493	43,314	154,914	(168,192)
HappyNarae Co., Ltd	988,710	1,782	925,675	4,354
SK hynix NAND Product Solutions Corp. and subsidiaries	4,695,752	(3,325,656)	-	(107,483)

(6) There are no significant non-controlling interests to the Group as of December 31, 2022 and December 31, 2021.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies

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

### 2.1 Basis of measurement

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured, and translated into English from the Korean language financial statements.

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- financial instruments at fair value through other comprehensive income are measured at fair value
- assets or liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

Korean IFRS permits the use of critical accounting estimates in the preparation of the consolidated financial statements and requires management judgments in applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

### 2.2 Changes in Accounting Policies and Disclosure

#### 2.2.1 New and amended standards or interpretations adopted by the Group

The Group has applied the following new and revised IFRS Standards that are effective from January 1, 2022.

##### (a) Amendments to Korean IFRS 1116 Lease - *Covid-19 - Related Rent Concessions beyond June 30, 2021*

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

##### (b) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 2. Significant Accounting Policies, Continued

2.2.1 New and amended standards or interpretations adopted by the Group, continued.

(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1041 Agriculture – Measuring fair value

2.2.2 New and amended standards or interpretations not yet adopted by the Group

The following new accounting standards and interpretations that have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 2. Significant Accounting Policies, Continued

2.2.2 New and amended standards or interpretations not yet adopted by the Group, continued.

*(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

*(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.2.2 New and amended standards or interpretations not yet adopted by the Group, Continued

#### (e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 Insurance Contracts replaces Korean IFRS 1104 Insurance Contracts. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Group does not expect that these amendments have a significant impact on the financial statements.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of Korean IFRS 1117. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of Korean IFRS 1117. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of Korean IFRS 1109. The classification can be applied on an instrument-by-instrument basis.

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

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements

## 2.3 Operating Segments

An operating segment is a component of the Group that: 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker ("CODM") in order to allocate resources and assess its performance, and 3) for which discrete financial information is available. The Group's CODM is the board of directors, who do not receive and therefore do not review discrete financial information for any component of the Group. Accordingly, no operating segment information is included in these consolidated financial statements. Entity wide disclosures of geographic, product and customer information are provided in note 4 and 26.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.4 Consolidation

#### (a) Business combination

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

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred and during period of service, except if related to the issue of debt or equity securities according to K-IFRS No. 1032 and K-IFRS No. 1109.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

#### (b) Non-controlling interests

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.4 Consolidation, Continued

#### (c) Subsidiaries

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

#### (d) Loss of control

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

#### (e) Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interests in an associate and a joint venture. An associate are these entities in which the Group has significant influence, but not control or joint control, over the entity's financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are initially recognized at cost including transaction costs. Subsequent to initial recognition, their carrying amounts are increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate or the joint venture. Distributions from equity-accounted investees are accounted for as deduction from the carrying amounts.

#### (f) Transactions eliminated on consolidation

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

#### (g) Business combinations under common control

The assets and liabilities acquired in the combination of entities or business under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is added to or deducted from other capital adjustments.

### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.6 Inventories

The cost of inventories is based on the weighted average method (except for goods in-transit that is based on the specific identification method), and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing inventories to their existing location and condition. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of production overheads based on the actual capacity of production facilities. However, the normal capacity is used for the allocation of fixed production overheads if the actual level of production is lower than the normal capacity.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### 2.7 Trade Receivables

The trade receivables are initially recognized at fair value if it does not include a significant financing component, such as unconditional consideration if it includes a significant financing component. The trade receivables are subsequently measured by subtracting the loss allowance from the amortized cost applied with the effective interest method. (See footnote 8 for additional information on the accounting for the Group's trade receivables, and 6.(1) for accounting for impairment)

### 2.8 Non-derivative financial assets

#### (a) Initial recognition and measurement

Trade and other receivables, and debt investment are initially recognized when they are originated. Other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

A financial asset and financial liability (unless it is an account receivable - trade without a significant financing component that is initially measured at the transaction price) are initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition.

#### (b) Classification and subsequent measurements

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. In case of changing its business model, all affected financial asset are reclassified on the first day of the first reporting period after the change in the business model.

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.8 Non-derivative financial assets, Continued

#### (b) Classification and subsequent measurements, Continued

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Group makes an assessment of the objective of the business model in which, financial assets is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for those sales and expectation about future sales activity for financial asset.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For the purpose of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**2. Significant Accounting Policies, Continued**

2.8 Non-derivative financial assets, Continued

(b) Classification and subsequent measurements, Continued

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The following accounting policies apply to subsequent measurements of financial assets.

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

(c) De-recognition

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

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

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.8 Non-derivative financial assets, Continued

#### (d) Offsetting between financial assets and financial liabilities

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

### 2.9 Derivative financial instruments

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

#### (a) Hedge accounting

The Group enters into a fixed-to-fixed cross currency swap contract and a floating-to-fixed cross currency interest rate swap contract to hedge interest rate risk and currency risk.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction. In addition, the document includes hedging instruments; hedged items; initial commencement date of those hedge relationship; fair value of hedged items based on hedged risk during the subsequent period; and the method of valuation on hedging instruments offsetting changes in cash flow.

- Cash flow hedge

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

#### (b) Other derivative financial instruments

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

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.10 Impairment of financial assets

#### (a) Recognition of impairment on financial assets

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized costs; and
- Korean IFRS 1115 contract assets.

The Group measures impairment losses at an amount equal to lifetime ECLs except for the below assets, which are measured at 12-month ECLs.

- credit risk of debt instruments is low at the end of reporting date
- credit risk has not increased significantly since the initial recognition of debt investment (lifetime ECL: ECL that resulted from all possible default events over the expected life of a financial instrument)

The Group adopted an accounting policy to recognize loss allowances at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition and estimating expected credit loss, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from all default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### (b) Measurement of expected credit loss

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial instrument.

#### (c) Credit-impaired financial instrument

A debt instrument carried at amortized cost and fair value through other comprehensive income (FVOCI) is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that a financial asset is impaired includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for the financial asset because of financial difficulties.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.10 Impairment of financial assets, Continued

#### (d) Presentation of credit loss allowance on financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

#### (e) Write-off

The Group writes off a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However financial assets that are written off could still be subject to collection activities according to the Group's past due collection process.

### 2.11 Property, plant and equipment

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

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other income or expenses.

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

	<u>Useful lives (years)</u>
Buildings	10 - 50
Structures	10 - 20
Machinery	5 - 15
Vehicles	5 - 10
Other	5 - 10

Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.12 Borrowing costs

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

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

### 2.13 Intangible assets

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

Goodwill arising from business combinations is recognized as the excess of the consideration transferred in the acquisition over the net fair value of the identifiable assets acquired and liabilities assumed. Any deficit is a bargain purchase that is recognized in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, certain intangible assets are determined as having indefinite useful lives and not amortized as there is no foreseeable limit to the period over which the assets are expected to be available for use.

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

	<u>Useful lives (years)</u>
Industrial rights	5 - 10
Development costs	2
Other intangible assets	4 - 20

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

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

# **SK hynix Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022 and 2021**

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## **2. Significant Accounting Policies, Continued**

### 2.13 Intangible assets, continued

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

As of December 31, 2022, the Group has entered into a number of patent license agreements related to the design and production of its products. Royalties under this contract are paid in the form of either of lump-sum royalty or running royalty, and the payment amount of the lump-sum royalty is recognized as intangible assets and amortized in a straight-line manner according to the patent license period.

### 2.14 Government grants

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

#### (a) Grants related to assets

Government grants whose primary condition is that the Group purchases, constructs or otherwise acquires non-current assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the useful lives of depreciable assets.

#### (b) Grants related to income

Government grants which are intended to compensate the Group for expenses incurred are recognized in profit or loss by as deduction of the related expenses.

### 2.15 Investment property

Property held for the purpose of earning rental income or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at cost less accumulated depreciation and impairment losses.

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

Investment property is depreciated on a straight-line basis over 40 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

### 2.16 Impairment of non-financial assets

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

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.16 Impairment of non-financial assets, continued

The Group estimates the recoverable amount of an individual asset; however if it is impossible to measure the individual recoverable amount of an asset, the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

### 2.16 Impairment of non-financial assets, continued

The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from business combination. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Except for impairment losses in respect of goodwill, which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 2.17 Trade payables and other payables

Trade payables and other payables are liabilities that the Group has received but have not been paid for goods or services before the end of the reporting period. Trade payables and other payables were marked current unless the due date was 12 months after the reporting period. Those liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.18 Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. Under K-IFRS No. 1116, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In case that ownership of the right-of-use asset is transferred at the end of the lease term, or the cost of the right-of-use asset includes the exercise price of a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset may be reduced by an impairment loss or adjusted for remeasurements of the lease liability.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.18 Leases, Continued

#### (i) As a lessee, Continued

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

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

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

The lease liability is subsequently increased by the interest expense recognized for the lease liability and decreased by reflecting the payment of the lease. The lease liability is remeasured when there is a change in future lease payments arising from changes in an index or a rate (interest rate), if there's a change in the Group's estimate of the amount expected to be paid under a residual value guarantee, or if the Group changes in the assessment of whether the option to buy or extend is reasonably certain to be exercised or not to exercise the termination option.

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

A lessee shall remeasure the lease liability as an adjustment to the right-of-use asset, if either:

- a change in the lease term or a change in circumstances or significant events that result in a change in the assessment of the exercise of the purchase option. In such cases, the lease liability is remeasured by discounting the modified lease payment at the revised discount rate;

- the lease payment changes due to changes in the index or rate (interest rate) or the amount expected to be paid according to the residual value guarantee. In such cases, the lease liability measures the modified lease fee again by discounting it at an unchanged discount rate. However, if a change in the variable interest rate causes a change in the lease payments, the revised discount rate that reflects the change in interest rates is used; or

- the lease agreement changes and is not accounted for as a separate lease. In such cases, the lease liability is remeasured by discounting the modified lease payment at the revised discount rate as of the effective date of the lease change, based on the lease term of the modified lease.

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

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

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#### 2. Significant Accounting Policies, Continued

##### 2.18 Leases, Continued

###### (i) As a lessee, Continued

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for certain agreements, the Group has elected practical expedient not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

Subsequently, the right-of-use asset is accounted for consistently with the accounting policies applicable to the asset.

###### (ii) As a lessor

As a lessor, the Group determines whether the lease is a finance lease or an operating lease at the inception of the lease.

To classify each lease, the Group generally determines whether the lease transfers most of the risks and rewards of ownership of the underlying asset. If most of the risks and rewards of ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease, otherwise the lease is classified as an operating lease. As part of this assessment, the Group considers whether the lease term represents a significant portion of the economic life of the underlying asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. In addition, the classification of a lease is determined by the right-of-use asset arising from the head lease, not the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then the sub-lease is classified as an operating lease.

The Group has applied K-IFRS No. 1115 '*Revenue from Contracts with Customers*' to allocate consideration in the contract to each lease and non-lease components.

The Group recognizes the lease payments received from operating leases on a straight-line basis over the lease term as revenue in 'other revenue'.

The accounting policies that the Group has applied to the comparative period as lessors are not different from those in K-IFRS No. 1116.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.19 Non-derivative financial liabilities

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

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred.

#### (b) Other financial liabilities

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

#### (c) Derecognition of financial liability

The Group derecognizes financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognizes a financial liability, when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### 2.20 Employee benefits

#### (a) Short-term employee benefits

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

#### (b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the reporting period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Remeasurements are recognized in profit or loss in the period in which they arise.

#### (c) Retirement benefits: defined benefit plans

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

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

# SK hynix Inc. and Subsidiaries

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## 2. Significant Accounting Policies, Continued

### 2.20 Employee benefits, Continued

#### (c) Retirement benefits: defined benefit plans, Continued

Remeasurements of the net defined benefit liability (asset) comprise of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset), and are recognized in other comprehensive income.

The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains or losses on a settlement of defined benefit plan when the settlement occurs.

#### (d) Retirement benefits: defined contribution plans

When an employee has provided service for a certain period of time in relation to the defined contribution plan, the contribution to the defined contribution plan is recognized in profit or loss except to be included in the cost of the asset. The contributions to be paid are recognized as liabilities (accrued expenses) less the contributions that have been already paid.

#### (e) Termination benefits

The Group recognizes a liability and expense for termination benefits at the earlier of the period when the Group can no longer withdraw the offer of those benefits and the period when the Group recognizes costs for a restructuring. If benefits are not payable within 12 months after the end of the reporting period, then they are discounted to their present value.

### 2.21 Provisions

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

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

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

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

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

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.22 Emissions Rights

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

#### (a) Greenhouse Gases Emission Right

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

Emission rights held for the purpose of performing the obligation are classified as intangible asset and are initially measured at cost and after initial recognition are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period.

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

#### (b) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period.

### 2.23 Foreign currencies

#### (a) Foreign currency transactions

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

Foreign currency differences arising on the settlement or retranslation of monetary items are recognized in profit or loss, except for differences arising on the retranslation of the net investment in a foreign operation, which are recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (b) Foreign operations

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

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

# **SK hynix Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022 and 2021**

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## **2. Significant Accounting Policies, Continued**

### 2.23 Foreign currencies, Continued

#### (b) Foreign operations, Continued

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

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

### 2.24 Equity capital

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

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and disposes treasury shares, the consideration paid or received is directly recognized in equity.

### 2.25 Share-based payment

The Group has granted shares or share options to its employees. For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity as a capital adjustment at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot reliably estimate the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. If the fair value of the equity instruments cannot be estimated reliably at the measurement date, the Group measures them at their intrinsic value and recognizes the goods or services received based on the number of equity instruments that ultimately vest.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with changes in fair value recognized in profit or loss for the period.

The Group accounts for share-based payment, with options to choose either cash-settled or equity-settled share-based payment, in accordance with the substance of transactions.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

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#### 2. Significant Accounting Policies, Continued

##### 2.26 Revenue from contracts with customers

Revenue is measured based on the promised consideration specified in a contract with a customer. The Group recognizes revenue when the Group transfers a promised good or service to a customer.

Revenue is recognized when the customer obtains control of that asset, which is typically upon delivery or shipment depending on the terms of the contract.

When the good is defective, the customer is granted the right to return the defective goods in exchange for a functioning product or cash.

Revenue is measured at the amount of consideration for the sale of goods, reflecting the expected amount of return estimated through historical information. The Group's right to recover products from customers and refund liability are recognized.

Refund liability is initially measured at the former carrying amount of the product less any expected costs to recover those products. Refund liability is included in other current liabilities (See note 18) and right to recover products from customers is included in other current assets (See note 10). The Group reviews its estimate of expected returns at the end of each reporting period and updates the amounts of the asset and liabilities accordingly.

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

##### 2.27 Finance income and finance expenses

The Group's finance income and finance expenses include:

- Interest income;
- Interest expense;
- Dividend income;
- The net gain or loss on financial assets at fair value through profit or loss;
- Gain or loss on foreign exchange(currency) translation for financial asset and liabilities;
- Impairment losses and reversals on investment in debt securities carried at amortized cost method; and
- The gain on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination

The Group uses effective interest rate method for recognizing interest income and expense. Dividend income is recognized in profit or loss on the date that the Group's right to receive dividend is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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## 2. Significant Accounting Policies, Continued

### 2.28 Income taxes

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

#### (a) Current tax

Current tax is the expected tax payable or refundable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of tax amount expected to be paid or received that reflects uncertainty related to income taxes. The taxable income is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

#### (b) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets for all deductible temporary differences including unused tax loss and tax credit to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. If there are any additional income tax expense incurred in accordance with dividend payments, such income tax expense is recognized when liabilities relating to the dividend payments are recognized.

# **SK hynix Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022 and 2021**

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#### **2. Significant Accounting Policies, Continued**

##### 2.29 Earnings per share

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

##### 2.30 Approval of the Consolidated Financial Statements

The consolidated financial statements were authorized for issuance by the board of directors on February 22, 2023, which will be submitted for approval at the shareholders' meeting to be held on March 29, 2023.

# **SK hynix Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2022 and 2021**

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#### **3. Critical Accounting Estimates and Assumptions**

Preparation of financial statements requires assumptions and estimates of the future, and the management requires judgement to apply the Group's accounting policies. The estimates and assumptions are continuously assessed, considering historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The following are estimates and assumptions about management decisions and significant risks that may affect the adjustment of the carrying amount of assets and liabilities in the following financial years: Additional information on significant judgements and estimates for some items is included in the separate footnotes.

##### **(1) Fair value of financial instruments**

In principle, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group is making judgments on the selection and assumptions of various evaluation techniques based on important market conditions as of the end of the reporting period. (see footnote 6)

##### **(2) Corporate tax**

There is uncertainty in determining the final tax effect as corporate tax on the Group's taxable income is calculated by applying various national tax laws and tax authorities' decisions. The Group recognized the corporate tax effect, which is expected to be borne in the future as a result of business activities until the end of the reporting period, as current tax and deferred tax after the best estimation process. However, the actual future final corporate tax burden may not be consistent with the assets and liabilities recognized, and this difference may affect current and deferred tax assets and liabilities when the final tax effect is confirmed.

The Group will pay additional corporate taxes calculated by the method prescribed by the tax law when a certain amount of taxable income is not used for investment, salary increase, etc. for a certain period of time. Therefore, when measuring current and deferred taxes during the period, the tax effects should be reflected, and the corporate tax to be borne by the Group depends on the level of investment and salary growth in each year, so there is uncertainty in calculating the final tax effect.

In accordance with K-IFRS No.1012, the Group reviews uncertainty in its tax treatment and reflects the impact of uncertainty in its financial statements if the tax authorities conclude that uncertainty is unlikely to be accepted, using a method that expects better prediction of uncertainty:

- (a) Most likely: the single most likely amount within the range of possible outcomes
- (b) Expected value: the sum of all amounts in the range of possible outcomes multiplied by each probability;

# **SK hynix Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

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#### **3. Critical Accounting Estimates and Assumptions, Continued**

##### **(3) Provisions**

The Group calculates provisions related to litigation costs and recovery costs as of the end of the reporting period, which are determined by estimates based on past experience (see footnote 19).

##### **(4) Net defined benefit liabilities**

The present value of the net defined benefit liability is affected by various factors determined by the actuarial method, especially changes in the discount rate (see footnote 20).

##### **(5) Inventories**

Estimating the net realizable value of inventories is based on the most reliable evidence available as of the estimated date for the amount feasible from inventories. In addition, if the Group confirms the circumstances in which an event exists at the end of the reporting period, it shall estimate the change in price or cost directly related to the event.

##### **(6) Revenue recognition**

A refund liability and a right to the returned goods are recognized for the products expected to be returned once they are sold. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and the Group's revenue is affected by changes in expected return rate.

The Group recognizes revenue from the sale of goods as a reduction in specific sales promotion activities from the consideration of the contract at the time of control transfer. Based on past experiences and contracts, the Group reasonably estimates sales losses, and the Group's revenue is affected by the estimated sales losses.

##### **(7) Development cost**

The recoverable amounts of development cost has been determined based on value-in-use calculations, and those calculations are based on estimates.

##### **(8) Depreciation of property, plant, and equipment and intangible assets**

The depreciation method, residual values and useful lives of property, plant and equipment and Intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period. If the resulting estimates differ from previous estimates, the difference is accounted for as a change in accounting estimates in accordance with K-IFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors'.

##### **(9) Cash Generating Unit impairment test**

The recoverable amount of the cash-generating unit including goodwill to examine whether any impairment exist is determined as the higher of the cash-generating unit's fair value less costs of disposal and its value in use.

**SK hynix Inc. and Subsidiaries**  
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**3. Critical Accounting Estimates and Assumptions, Continued**

(10) Lease

In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For warehouses and equipment leases, the most relevant factors are generally as follows:

- If a significant penalty is to be paid to terminate (not to extend), it is generally quite certain that the Group exercises the option to extend (not to extend).
- It is generally fairly certain that the Group exercises the option to extend (not exercise the option to terminate) if the lease is expected to have significant residual value.
- In other cases than the above, the Group will consider other factors, including the lease duration and costs, and the discontinuation required to replace the leased asset.

Most extension options in office and vehicle transport leases are not included in lease liabilities because the Group can replace the asset without significant cost or business interruption.

Reevaluate the lease term if the option is actually exercised (or not exercised) or the Group is liable to exercise (not exercised) the option. Only when significant events occur or there are significant changes in the circumstances that affect the lessee's control of the lease term, the Group changes its judgment to ensure that the option to extend (or will not be exercised) is significant.

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**4. Operating Segment Information**

The Group has a single reportable segment that is engaged in the manufacture and sale of semiconductor products. Chief Sales Decision Maker of the Group reviews the operational results of the semiconductor business with the reporting information which is prepared in the same manner as management reviews during the establishment of the Group's business strategy.

(1) The Group's non-current assets (excluding long-term trade receivables, financial assets, loans and other receivables, investment in associates and joint ventures and deferred tax assets) information by region based on the location of the Parent Company and its subsidiaries as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31,</b> <b>2022</b>	<b>December 31,</b> <b>2021</b>
Korea	₩ 48,935,513	₩ 40,474,770
China	17,486,061	19,407,820
Asia (other than China)	19,397	17,065
U.S.A.	469,699	426,723
Europe	14,128	16,230
	<u>₩ 66,924,798</u>	<u>₩ 60,342,608</u>

(2) For the year ended December 31, 2022, revenue of ₩ 5,153,294 million, ₩ 5,105,879 million, over 10% of the Group's revenue, are derived from external customers A and B, respectively and for the year ended December 31, 2021, revenues of ₩5,014,368 million and ₩ 4,581,712, over 10% of the Group's revenue, are derived from external customers B and C, respectively.

**SK hynix Inc. and Subsidiaries**  
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**5. Carrying Amounts of Financial Instruments by Categories**

(1) Carrying amounts of financial assets by categories as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	
	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income or loss</b>
Cash and cash equivalents	₩ -	₩ -
Short-term financial instruments	222,500	-
Short-term investment assets	1,016,360	-
Trade receivables <sup>1</sup>	-	207,072
Loans and other receivables	-	-
Other financial assets	-	-
Long-term investment assets	5,733,544	-
	<b>₩ 6,972,404</b>	<b>₩ 207,072</b>

*(In millions of Korean won)*

	<b>December 31, 2022</b>		
	<b>Financial assets at amortized cost</b>	<b>Other financial assets</b>	<b>Total</b>
Cash and cash equivalents	₩ 4,977,007	₩ -	₩ 4,977,007
Short-term financial instruments	193,125	-	415,625
Short-term investment assets	-	-	1,016,360
Trade receivables <sup>1</sup>	4,978,982	-	5,186,054
Loans and other receivables	626,679	-	626,679
Other financial assets	695	115,017	115,712
Long-term investment assets	-	-	5,733,544
	<b>₩ 10,776,488</b>	<b>₩ 115,017</b>	<b>₩ 18,070,981</b>

<sup>1</sup> The Group transferred certain portion of trade receivables, which are from specific customers, and derecognized the trade receivables from the financial statements as all the risks and rewards are substantially transferred. Accordingly, the Group recognized gain or loss on disposal of trade receivables.

**SK hynix Inc. and Subsidiaries**  
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**5. Carrying Amounts of Financial Instruments by Categories**

(1) Carrying amounts of financial assets by categories as of December 31, 2022 and 2021 are as follows,  
Continued:

*(In millions of Korean won)*

	December 31, 2021	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income or loss
Cash and cash equivalents	₩ -	₩ -
Short-term financial instruments	222,500	-
Short-term investment assets	3,139,923	-
Trade receivables <sup>1</sup>	-	980,487
Loans and other receivables	-	-
Other financial assets	-	-
Long-term investment assets	6,665,513	-
	<b>₩ 10,027,936</b>	<b>₩ 980,487</b>

*(In millions of Korean won)*

	December 31, 2021		
	Financial assets at amortized cost	Other financial assets	Total
Cash and cash equivalents	₩ 5,057,982	₩ -	₩ 5,057,982
Short-term financial instruments	252,137	-	474,637
Short-term investment assets	-	-	3,139,923
Trade receivables <sup>1</sup>	7,286,624	-	8,267,111
Loans and other receivables	510,981	-	510,981
Other financial assets	30,076	61,093	91,169
Long-term investment assets	-	-	6,665,513
	<b>₩ 13,137,800</b>	<b>₩ 61,093</b>	<b>₩ 24,207,316</b>

<sup>1</sup> The Group transferred certain portion of trade receivables, which are from specific customers, and derecognized the trade receivables from the financial statements as all the risks and rewards are substantially transferred. Accordingly, the Group recognized gain or loss on disposal of trade receivables.

**SK hynix Inc. and Subsidiaries**  
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**5. Carrying Amounts of Financial Instruments by Categories, Continued**

(2) Carrying amounts of financial liabilities by categories as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	
	<b>Financial liabilities at amortized cost</b>	
Trade payables	₩	2,186,230
Other payables		8,403,994
Other non-trade payables <sup>1</sup>		1,415,197
Borrowings		22,994,604
Lease liabilities		1,797,081
Other financial liabilities		4,876
	₩	<u>36,801,982</u>

<sup>1</sup> Among other obligations, employee benefits liabilities that respond to the Group's obligations under the employee benefit plan were excluded because they were not subject to disclosure of financial instruments.

(In millions of Korean won)

	<b>December 31, 2021</b>		
	<b>Financial liabilities at amortized cost</b>	<b>Other financial liabilities</b>	<b>Total</b>
Trade payables	₩ 1,359,247	₩ -	₩ 1,359,247
Other payables	7,300,017	-	7,300,017
Other non-trade payables <sup>1</sup>	794,272	-	794,272
Borrowings	17,623,809	-	17,623,809
Lease liabilities	1,525,762	-	1,525,762
Other financial liabilities	4,517	702	5,219
	₩ <u>28,607,624</u>	₩ <u>702</u>	₩ <u>28,608,326</u>

<sup>1</sup> Among other obligations, employee benefits liabilities that respond to the Group's obligations under the employee benefit plan were excluded because they were not subject to disclosure of financial instruments.

**SK hynix Inc. and Subsidiaries**  
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**5. Carrying Amounts of Financial Instruments by Categories, Continued**

(3) Details of gain and loss on financial assets and liabilities by category for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
<b>Financial assets at amortized cost</b>		
Interest income	₩ 88,330	₩ 22,419
Foreign exchange differences	1,496,128	811,250
Loss on disposal	(11,322)	(125)
Reversal of impairment	(88)	(839)
	<u>1,573,048</u>	<u>832,705</u>
<b>Financial assets at fair value through profit or loss</b>		
Dividend income	2,425	10,163
Interest income	1,231	-
Gain on disposal	56,128	81,937
Gain on valuation	(587,047)	566,321
Foreign exchange differences	(472,833)	(50,074)
	<u>(1,000,096)</u>	<u>608,347</u>
<b>Financial liabilities at amortized cost</b>		
Interest expenses	(533,114)	(259,960)
Foreign exchange differences	(1,423,372)	(272,052)
	<u>(1,956,486)</u>	<u>(532,012)</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Loss on financial liabilities	-	(1,716)
	<u>₩ (1,383,534) ₩</u>	<u>907,324</u>

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

#### 6. Financial Risk Management

##### (1) Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Parent Company's corporate finance division in accordance with policies approved by the board of directors. The Parent Company's corporate finance division identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

##### (a) Market risk

###### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Japanese yen, Chinese yuan and Euro. Foreign exchange risk arises from future commercial transactions; recognized assets and liabilities in foreign currencies; and net investments in foreign operations.

Monetary foreign currency assets and liabilities as of December 31, 2022 are as follows:

*(In millions of Korean won and millions of foreign currencies)*

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	13,372 ₩	16,946,620	18,956 ₩	24,023,300
JPY	523	4,983	49,370	470,581
CNY	4,656	844,792	1,113	201,998
EUR	14	19,315	132	177,827

Also, as described in note 22, the Group entered into a fixed-to-fixed cross currency swap and a floating-to-fixed cross currency interest rate swap to hedge foreign currency rate risk relating to bonds and borrowings denominated in foreign currencies

When the exchange rate of the functional currency for each foreign currency fluctuates by 10% as of December 31, 2022, the impact of the change in the exchange rate on profit before income tax expenses are as follows:

*(In millions of Korean won)*

	If increased by 10%	If decreased by 10%
USD	₩ (581,236)	₩ 581,236
JPY	(46,560)	46,560
CNY	64,279	(64,279)
EUR	(15,851)	15,851

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(a) Market risk, Continued

(ii) Interest rate risk

Interest rate risk of the Group is defined as the risk that the interest expenses arising from borrowings will fluctuate due to changes in future market interest rate. The interest rate risk mainly arises through floating rate borrowings, and is partially offset by interests received from floating rate financial assets.

The Group is managing cash flow interest rate risk using floating-to-fixed cross currency interest rate swaps. These interest rate swaps have an economic effect of converting floating interest borrowings into fixed interest borrowings. Generally, the Group borrows at a floating interest rate and then swaps at a fixed rate. Under the swap agreement, the Group will settle the difference between fixed interest costs and the floating interest costs calculated according to the principal agreed upon for each counterparty and specific period (mainly quarterly).

The Group is partially exposed to the risk of changing net interest costs due to changes in interest rates as of December 31, 2022. The Group has signed a currency interest rate swap contract on floating interest rate borrowings of ₩633,650 million and an interest rate swap contract on floating interest rate borrowings of ₩126,730 million. Therefore, the changes in interest costs subject to fluctuation of interest rates do not have an impact on the profit before income tax for the year ended December 31, 2022.

As of December 31, 2022, if interest rates on borrowings and financial assets had been 100 basis points higher/lower with all other variables held constant, profit before income tax would have been ₩98,612 million(2021: ₩78,278 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and net interest costs on floating rate financial assets.

(iii) Price risk

The Group invests in equity and debt securities resulted from its business needs and the purpose of liquidity management. The Group's equity and debt securities are exposed to price risk as of December 31, 2022.

Equity investments that the Group owns are all unlisted.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from operating and investing activities. In order to manage credit risk, the Group periodically evaluates the credit worthiness of each customer or counterparty through the analysis of its financial information, historical transaction records and other factors, and establishes credit limits for each customer or counterparty.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 6. Financial Risk Management, Continued

(1) Financial risk management, Continued

(b) Credit risk, Continued

(i) Trade and other receivables

For each new customer, the Group individually analyzes its credit worthiness before standard payment and delivery terms and conditions are offered. In addition, the Group is continuously managing trade and other receivables by reevaluating the customer's credit worthiness and securing collaterals in order to limit its credit risk exposure. The Group reviews at the end of each reporting period whether trade and other receivables are impaired and maintains credit insurance policies to manage credit risk exposure from overseas customers. The maximum exposure to credit risk as of December 31, 2022 is the carrying amount of trade and other receivables

(ii) Other financial assets

Credit risk also arises from other financial assets such as cash and cash equivalents, short-term financial instruments, long-term and short-term investment assets, and short-term and long-term loans mainly due to the bankruptcy of each counterparty to those financial assets. The maximum exposure to credit risk as of December 31, 2022 is the carrying amount of those financial assets. The Group transacts only with banks and financial institutions with high credit ratings, and accordingly management does not expect any significant loss from non-performance by the counterparties.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively.

The Group invests surplus cash in interest-bearing current accounts, time deposits, and demand deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**6. Financial Risk Management, Continued**

(1) Financial risk management, Continued

(c) Liquidity risk, Continued

The contractual maturity of financial liabilities held by the Group as of December 31, 2022 and 2021 term are as follows:

(In millions of Korean won)

<b>December 31, 2022</b>					
	<b>Less than</b>			<b>More than 5</b>	
	<b>1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>years</b>	<b>Total</b>
Borrowings <sup>1</sup>	₩ 8,225,843	4,473,549	9,529,664	3,171,847	25,400,903
Lease liabilities	293,572	263,989	579,972	936,737	2,074,270
Trade payables	2,186,230	-	-	-	2,186,230
Other payables	5,446,845	95,964	2,975,045	-	8,517,854
Other non-trade payables	1,299,230	15,666	11,375	134	1,326,405
Other financial liabilities	127,262	-	-	-	127,262
	<u>₩ 17,578,982</u>	<u>4,849,168</u>	<u>13,096,056</u>	<u>4,108,718</u>	<u>39,632,924</u>

<sup>1</sup> The cash flow includes payment of interest under terms and conditions of borrowing.

(In millions of Korean won)

<b>December 31, 2021</b>					
	<b>Less than</b>			<b>More than 5</b>	
	<b>1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>years</b>	<b>Total</b>
Borrowings <sup>1</sup>	₩ 3,181,897	3,351,918	8,824,353	3,461,705	18,819,873
Lease liabilities	323,145	219,289	474,595	604,977	1,622,006
Trade payables	1,359,247	-	-	-	1,359,247
Other payables	4,608,517	64,699	2,869,178	28,452	7,570,845
Other non-trade payables	714,008	9,021	15,079	8,114	746,222
Derivative Liabilities	837	64	-	-	901
Other financial liabilities	129,710	-	-	-	129,710
	<u>₩ 10,317,361</u>	<u>3,644,991</u>	<u>12,183,205</u>	<u>4,103,248</u>	<u>30,248,804</u>

<sup>1</sup> The cash flow includes payment of interest under terms and conditions of borrowing.

The table above analyzes the Group's financial liabilities into relevant maturity groups based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include estimated interest payments.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**6. Financial Risk Management, Continued**

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders and proceeds and repayments of borrowings, and issue new shares or sell assets to reduce debt.

The debt-to-equity ratio and net borrowing ratio as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Total liabilities (A)	₩ 40,580,970	₩ 34,155,467
Total equity (B)	63,290,542	62,191,058
Cash and cash equivalents, and others <sup>1</sup> (C)	6,408,992	8,672,542
Total borrowings (D)	22,994,604	17,623,809
Debt-to-equity ratio (A/B)	64.12%	54.92%
Net borrowing ratio (D-C)/B	26.21%	14.39%

<sup>1</sup> Total amount of cash and cash equivalents, short-term investment assets and short-term financial instruments.

Under major loan contracts, the Group must comply with a certain level of debt ratio and holding ratio on specific assets and shares, and the Group has complied with these conditions at the end of December 31, 2022.

(3) Fair value

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**6. Financial Risk Management, Continued**

(3) Fair value, Continued

(a) The following table presents the carrying amounts and fair values of financial instruments by categories, including their levels in the fair value hierarchy, as of December 31, 2022 and 2021:

(In millions of Korean won)

	Carrying amounts	December 31, 2022			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Short-term financial instruments	₩ 222,500 ₩	- ₩	- ₩	222,500 ₩	222,500
Short-term investment assets	1,016,360	-	1,016,360	-	1,016,360
Trade receivables <sup>1</sup>	207,072	-	207,072	-	207,072
Long-term investment assets	5,733,544	-	-	5,733,544	5,733,544
Other financial assets	115,017	-	115,017	-	115,017
	<u>7,294,493</u>	<u>-</u>	<u>1,338,449</u>	<u>5,956,044</u>	<u>7,294,493</u>
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents <sup>2</sup>	4,977,007	-	-	-	-
Short-term financial instruments <sup>2</sup>	193,125	-	-	-	-
Trade receivables <sup>2</sup>	4,978,982	-	-	-	-
Loans and other receivables <sup>2</sup>	626,679	-	-	-	-
Other financial assets <sup>2</sup>	695	-	-	-	-
	<u>10,776,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial asset</b>	₩ <u>18,070,981</u> ₩	- ₩	<u>1,338,449</u> ₩	<u>5,956,044</u> ₩	<u>7,294,493</u>
<b>Financial liabilities measured at fair value</b>					
Other financial liabilities	₩ - ₩	- ₩	- ₩	- ₩	-
<b>Financial liabilities not measured at fair value</b>					
Trade payables <sup>2</sup>	2,186,230	-	-	-	-
Other payables <sup>2</sup>	8,403,994	-	-	-	-
Other non-trade payables <sup>2</sup>	1,415,197	-	-	-	-
Borrowings	22,994,604	-	21,809,209	-	21,809,209
Lease liabilities <sup>2</sup>	1,797,081	-	-	-	-
Other financial liabilities <sup>2</sup>	4,876	-	21,809,209	-	-
	<u>36,801,982</u>	<u>-</u>	<u>21,809,209</u>	<u>-</u>	<u>21,809,209</u>
<b>Total financial liabilities</b>	₩ <u>36,801,982</u> ₩	- ₩	<u>21,809,209</u> ₩	- ₩	<u>21,809,209</u>

<sup>1</sup> The Group transferred some of the trade receivables and majority of the risks and rewards to the customer. Accordingly, the Group derecognized trade receivables from the financial statement on the date of assets transfer and recognized gain or loss on disposal of trade receivables.

<sup>2</sup> The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

**SK hynix Inc. and Subsidiaries**  
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**6. Financial Risk Management, Continued**

(3) Fair value, Continued

(a) The following table presents the carrying amounts and fair values of financial instruments by categories, including their levels in the fair value hierarchy, as of December 31, 2022 and 2021, Continued:

(In millions of Korean won)

	Carrying amounts	December 31, 2021			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Short-term financial instruments	₩ 222,500 ₩	- ₩	- ₩	222,500 ₩	₩ 222,500
Short-term investment assets	3,139,923	-	3,139,923	-	3,139,923
Trade receivables <sup>1</sup>	980,487	-	980,487	-	980,487
Long-term investment assets	6,665,513	-	-	6,665,513	6,665,513
Other financial assets	61,093	-	61,093	-	61,093
	<u>11,069,516</u>	<u>-</u>	<u>4,181,503</u>	<u>6,888,013</u>	<u>11,069,516</u>
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents <sup>2</sup>	5,057,982	-	-	-	-
Short-term financial instruments <sup>2</sup>	252,137	-	-	-	-
Trade receivables <sup>2</sup>	7,286,624	-	-	-	-
Loans and other receivables <sup>2</sup>	510,981	-	-	-	-
Other financial assets <sup>2</sup>	30,076	-	-	-	-
	<u>13,137,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial asset</b>	₩ <u>24,207,316</u> ₩	- ₩	<u>4,181,503</u> ₩	<u>6,888,013</u> ₩	<u>11,069,516</u> ₩
<b>Financial liabilities measured at fair value</b>					
Other financial liabilities	₩ 702 ₩	- ₩	702 ₩	- ₩	₩ 702
<b>Financial liabilities not measured at fair value</b>					
Trade payables <sup>2</sup>	1,359,247	-	-	-	-
Other payables <sup>2</sup>	7,300,017	-	-	-	-
Other non-trade payables <sup>2</sup>	794,272	-	-	-	-
Borrowings	17,623,809	-	17,491,195	-	17,491,195
Lease liabilities <sup>2</sup>	1,525,762	-	-	-	-
Other financial liabilities <sup>2</sup>	4,517	-	-	-	-
	<u>28,607,624</u>	<u>-</u>	<u>17,491,195</u>	<u>-</u>	<u>17,491,195</u>
<b>Total financial liabilities</b>	₩ <u>28,608,326</u> ₩	- ₩	<u>17,491,897</u> ₩	- ₩	<u>17,491,897</u> ₩

<sup>1</sup> The Group transferred some of the trade receivables and majority of the risks and rewards to the customer. Accordingly, the Group derecognized trade receivables from the financial statement on the date of assets transfer and recognized gain or loss on disposal of trade receivables.

<sup>2</sup> The Group did not include fair values of financial assets and liabilities of which carrying amounts are considered to be a reasonable approximation of fair values.

**SK hynix Inc. and Subsidiaries**  
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**6. Financial Risk Management, Continued**

(3) Fair value, Continued

(b) The valuation techniques

The valuation techniques of recurring and non-recurring fair value measurements and quoted prices classified as level 2 or level 3 are as follows:

*(In millions of Korean won)*

	<u>Fair value</u>	<u>Level</u>	<u>Valuation Techniques</u>
<b>Financial assets at fair value through profit or loss:</b>			
Short-term financial instruments	₩ 222,500	3	Present value technique
Short-term investment assets	1,016,360	2	Present value technique
Long-term investment assets	5,733,544	3	Present value technique and others
Other financial assets	115,017	2	Present value technique
<b>Financial assets at fair value through other comprehensive income:</b>			
Trade receivables	₩ 207,072	2	Present value technique

Long-term investments measured at level 3 in the fair value hierarchy include investments in special purpose companies of BCPE Pangea Intermediate Holdings Cayman, L.P. ("SPC1") amounting to ₩3,060,475 million and BCPE Pangea Cayman2 Limited ("SPC2") amounting to ₩2,225,609 million in connection with the Group's investments in acquisition of KIOXIA Holdings Corporation ("KIOXIA"). The fair value of the long-term investments is measured based on the equity value of the underlying asset, KIOXIA estimated utilizing present value discount model.

The fair value of equity investment in SPC1 is measured using an option pricing model allocating the estimated fair value of KIOXIA equity between investors based on distribution priority pursuant to the underlying investment arrangement together with consideration of expected KIOXIA initial public offering and SPC1 liquidation.

The fair value of debt investment in SPC2 convertible bonds is measured based on the estimated KIOXIA's equity value and SPC2' equity ownership in KIOXIA (15.0%).

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**6. Financial Risk Management, Continued**

(3) Fair value, Continued

(b) Valuation Techniques, Continued

The valuation techniques and key inputs used in valuation of the equity investment in SPC1 and investment in SPC2 convertible bonds are as follows:

*(In millions of Korean won)*

	<u>Fair value</u>	<u>Valuation Techniques</u>	<u>Level 3 inputs</u>	<u>Input Range</u>
Equity investment in SPC1	₩ 3,060,475	Present value technique, and option-pricing method	Terminal growth rate	0%
			Weighted-average capital cost	8.8%
			Expected expiration(years)	3.92
			Volatility	40.2%
			Risk free rate	0.12%
SPC2 convertible bonds	2,225,609	Present value technique	Terminal growth rate	0%
			Weighted-average capital cost	8.8%

In these level 3 significant unobservable inputs, the higher in terminal growth rate or the lower in weighted-average capital cost will result the higher fair value of the equity investment in SPC1, while any change in volatility and risk free rate may have either positive or negative impact on the fair value of the investment in SPC1. In addition, the higher in terminal growth rate and the lower in weighted-average capital cost will result in the higher fair value of the investment in SPC2 convertible bonds.

Any positive or negative changes in the above inputs will have a significant and direct impact on the fair value of investments in SPC1 and SPC2, respectively. They are significant, but unobservable. Accordingly, the investments are classified as fair value hierarchy level 3 and the above inputs may have a significant impact on the value of investments in SPC1 and SPC2.

The sensitivity analysis results for the effect of changes in each long-term investment input classified as Level 3 under sensitivity analysis on fair value are as follows:

*(In millions of Korean won)*

	<u>Positive fluctuation</u>	<u>Negative fluctuation</u>
Equity investment in SPC1 <sup>1</sup>	₩ 676,831	₩ (555,089)
SPC2 convertible bonds <sup>1</sup>	443,661	(353,992)

<sup>1</sup> Fair value fluctuations were calculated by increasing or decreasing the terminal growth rate and weighted average capital cost, which are major unobservable input variables, by 0.5%.

**SK hynix Inc. and Subsidiaries**  
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**6. Financial Risk Management, Continued**

(3) Fair value, Continued

(c) There was no transfer between fair value hierarchy levels during the year ended December 31, 2022 and the changes in financial assets and financial liabilities classified as level 3 fair value measurements during the year ended December 31, 2022 are as follows:

*(In millions of Korean won)*

	<b>Short-term financial instruments</b>		<b>Long-term investment assets</b>
<b>Beginning balance</b>	₩ 222,500	₩	6,665,513
Acquisition	-		116,438
Disposal	-		(10,610)
Valuation	-		(562,070)
Foreign exchange difference	-		(475,727)
<b>Ending balance</b>	₩ 222,500	₩	5,733,544

**SK hynix Inc. and Subsidiaries**  
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**7. Restricted Financial Instruments**

Details of restricted financial instruments as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>Description</b>
Short-term financial instruments	₩ 222,500	₩ 222,500	Restricted for supporting small businesses
	7,625	8,242	Pledged for consumption tax
	99,500	90,220	Guarantee deposits for repayments of borrowings
	<u>329,625</u>	<u>320,962</u>	
Other financial assets	-	28,790	Down Payment, Bank Balance for the share sale contract
	11	11	Bank overdraft guarantee deposit
	682	1,245	Others
	<u>693</u>	<u>30,046</u>	
	<u>₩ 330,318</u>	<u>₩ 351,008</u>	

**8. Trade Receivables and Loans and Other Receivables**

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

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Other receivables	₩ 194,516	₩ 118,120
Accrued income	5,352	2,252
Short-term loans	14,265	11,104
Short-term guarantee and other deposits	58,379	39,988
	<u>272,512</u>	<u>171,464</u>
<b>Non-current</b>		
Long-term other receivables	3	3
Long-term loans	280,639	292,300
Guarantee deposits	73,286	46,984
Others	239	230
	<u>354,167</u>	<u>339,517</u>
	<u>₩ 626,679</u>	<u>₩ 510,981</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**8. Trade Receivables and Loans and Other Receivables, Continued**

(2) Trade receivables and loans and other receivables, net of provision for impairment, as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>		
	<b>Gross amount</b>	<b>Provision for impairment</b>	<b>Carrying amount</b>
Trade receivables	₩ 5,187,164	₩ (1,110)	₩ 5,186,054
Current loans and other receivables	273,825	(1,313)	272,512
Non-current loans and other receivables	355,228	(1,061)	354,167
	<u>₩ 5,816,217</u>	<u>₩ (3,484)</u>	<u>₩ 5,812,733</u>

*(In millions of Korean won)*

	<b>December 31, 2021</b>		
	<b>Gross amount</b>	<b>Provision for impairment</b>	<b>Carrying amount</b>
Trade receivables	₩ 8,268,072	₩ (961)	₩ 8,267,111
Current loans and other receivables	172,739	(1,275)	171,464
Non-current loans and other receivables	340,647	(1,130)	339,517
	<u>₩ 8,781,458</u>	<u>₩ (3,366)</u>	<u>₩ 8,778,092</u>

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**8. Trade Receivables and Loans and Other Receivables, Continued**

(3) Details of provision for impairment

Changes in the provision for impairment of trade receivables for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Beginning balance</b>	₩ 961	₩ 44
Bad debt expense	201	912
Reversal	(58)	-
Write-off	(1)	-
Foreign exchange difference	7	5
<b>Ending balance</b>	<u>₩ 1,110</u>	<u>₩ 961</u>

Changes in the provision for impairment of current loans and other receivables for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Beginning balance</b>	₩ 1,275	₩ 1,278
Bad debt expense	39	-
Reversal	(1)	(3)
Write-off	-	-
Foreign exchange difference	-	-
<b>Ending balance</b>	<u>₩ 1,313</u>	<u>₩ 1,275</u>

Movements in the provision for impairment of non-current loans and other receivables for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Beginning balance</b>	₩ 1,130	₩ 1,154
Bad debt expense	-	-
Reversal	(143)	(114)
Write-off	-	-
Foreign exchange difference	74	90
<b>Ending balance</b>	<u>₩ 1,061</u>	<u>₩ 1,130</u>

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**8. Trade Receivables and Loans and Other Receivables, Continued**

(5) The aging analysis of trade receivables and loans and other receivables as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

		<b>December 31, 2022</b>					
		<b>Not impaired</b>					
		<b>Overdue</b>					
		<b>Over 3 months</b>					
		<b>and less than 6 months</b>					
		<b>Not past due</b>	<b>Less than 3 months</b>	<b>and less than 6 months</b>	<b>Over 6 months</b>	<b>Impaired</b>	<b>Total</b>
Trade receivables	₩	5,186,054	-	-	-	1,110	5,187,164
Current loans and other receivables		272,512	-	-	-	1,313	273,825
Non-current loans and other receivables		354,167	-	-	-	1,061	355,228
	₩	<u>5,812,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,484</u>	<u>5,816,217</u>

(In millions of Korean won)

		<b>December 31, 2021</b>					
		<b>Not impaired</b>					
		<b>Overdue</b>					
		<b>Over 3 months</b>					
		<b>and less than 6 months</b>					
		<b>Not past due</b>	<b>Less than 3 months</b>	<b>and less than 6 months</b>	<b>Over 6 months</b>	<b>Impaired</b>	<b>Total</b>
Trade receivables	₩	8,267,111	-	-	-	961	8,268,072
Current loans and other receivables		171,464	-	-	-	1,275	172,739
Non-current loans and other receivables		339,517	-	-	-	1,130	340,647
	₩	<u>8,778,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,366</u>	<u>8,781,458</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**9. Inventories**

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

*(In millions of Korean won)*

	<b>December 31, 2022</b>		
	<b>Acquisition cost</b>	<b>Inventory valuation allowance</b>	<b>Carrying amount</b>
Merchandise	₩ 3,539	₩ (138)	₩ 3,401
Finished goods	4,651,604	(812,889)	3,838,715
Work-in-process	9,433,873	(339,721)	9,094,152
Raw materials	1,936,321	(118,945)	1,817,376
Supplies	849,480	(63,655)	785,825
Goods in transit	125,238	-	125,238
	<u>₩ 17,000,055</u>	<u>₩ (1,335,348)</u>	<u>₩ 15,664,707</u>

*(In millions of Korean won)*

	<b>December 31, 2021</b>		
	<b>Acquisition cost</b>	<b>Inventory valuation allowance</b>	<b>Carrying amount</b>
Merchandise	₩ 2,650	₩ (48)	₩ 2,602
Finished goods	1,392,856	(113,566)	1,279,290
Work-in-process	5,917,283	(104,981)	5,812,302
Raw materials	1,065,686	(34,393)	1,031,293
Supplies	771,626	(56,324)	715,302
Goods in transit	109,298	-	109,298
	<u>₩ 9,259,399</u>	<u>₩ (309,312)</u>	<u>₩ 8,950,087</u>

(2) The amount of the inventories recognized as cost of sales and loss on valuation allowance of inventories charged to cost of sales are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Inventories recognized as cost of sales	₩ 27,964,151	₩ 24,151,572
Loss on(Gain from reversal of) valuation allowance of inventories	1,026,036	(111,674)

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**10. Other Current and Non-current Assets**

Details of other current and non-current assets as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Advance payments	₩ 56,616	₩ 73,052
Prepaid expenses	241,894	176,225
Value added tax refundable	795,879	534,958
Contract assets	91,905	56,700
Others	250	793
	<u>1,186,544</u>	<u>841,728</u>
<b>Non-current</b>		
Long-term advance payments	22,683	68,347
Long-term prepaid expenses	42,745	54,451
Others	6,273	6,479
	<u>71,701</u>	<u>129,277</u>
	<u>₩ 1,258,245</u>	<u>₩ 971,005</u>

**SK hynix Inc. and Subsidiaries**  
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**11. Investments in Associates and Joint Ventures**

(1) General information of investments in associates and joint ventures is as follows:

<u>Type</u>	<u>Investee</u>	<u>Location</u>	<u>Business</u>
Associate and joint ventures	SK China Company Limited <sup>1</sup>	China	Consulting and investment
	SK South East Asia Investment Pte. Ltd.	Singapore	Consulting and investment
	Magnus Private Investment Co., Ltd <sup>3</sup>	Korea	Investment
	HITECH Semiconductor (Wuxi) Co., Ltd. <sup>2</sup>	China	Manufacture of semiconductor parts
	Hystars Semiconductor (Wuxi) Co., Ltd. <sup>2</sup>	China	Foundry factory construction
	Others		

<sup>1</sup> Management of the Group is able to exercise significant influence over the entity by participating the Board of Directors. Accordingly, the investment in this investee has been classified as an associate.

<sup>2</sup> The Group is able to exercise significant influence through its right to appoint a director to the Board of Directors of investee. Accordingly, the investment has been classified as an associate.

<sup>3</sup> The investment was completed and entire investment principal was recovered during the year ended December 31, 2022.

(2) Details of investments in associates and joint ventures as of December 31, 2022 and December 31, 2021 are as follows:

(In millions of Korean won)

<u>Investee</u>	<u>December 31, 2022</u>			<u>December 31, 2021</u>	
	<u>Ownership (%)</u>	<u>Net asset value</u>	<u>Carrying amount</u>	<u>Ownership (%)</u>	<u>Carrying amount</u>
<b>Associate and Joint ventures:</b>					
SK China Company Limited	11.87	₩ 346,519	₩ 399,116	11.87	₩ 343,987
SK South East Asia Investment Pte. Ltd.	20.00	352,411	352,411	20.00	347,317
Magnus Private Investment Co., Ltd	49.76	2,983	2,983	49.76	183,760
HITECH Semiconductor (Wuxi) Co., Ltd.	45.00	134,333	134,228	45.00	123,864
Hystars Semiconductor (Wuxi) Co., Ltd.	50.10	218,690	220,281	50.10	226,773
Others		210,431	243,826		184,727
		₩ <u>1,265,367</u>	₩ <u>1,352,845</u>		₩ <u>1,410,428</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**11. Investments in Associates and Joint Ventures, Continued**

(3) Changes in investments in associates and a joint ventures for the years period ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	2022						Ending balance
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend	Recovery of principal	
SK China Company Limited ₩	343,987 ₩	- ₩	1,385 ₩	53,744 ₩	- ₩	- ₩	399,116
SK South East Asia Investment Pte. Ltd.	347,317	-	(9,856)	14,950	-	-	352,411
Magnus Private Investment Co., Ltd	183,760	-	98,745	-	(72,176)	(207,346)	2,983
HITECH Semiconductor (Wuxi) Co., Ltd.	123,864	-	19,409	8,338	(17,383)	-	134,228
Hystars Semiconductor (Wuxi) Co., Ltd.	226,773	-	(702)	(5,790)	-	-	220,281
Others	184,727	40,717	22,205	(243)	(1,083)	(2,497)	243,826
₩	<u>1,410,428</u> ₩	<u>40,717</u> ₩	<u>131,186</u> ₩	<u>70,999</u> ₩	<u>(90,642)</u> ₩	<u>(209,843)</u> ₩	<u>1,352,845</u>

(In millions of Korean won)

	2021						Ending balance
	Beginning balance	Acquisition	Share of profit (loss)	Other equity movement	Dividend		
SK China Company Limited ₩	257,474 ₩	- ₩	110,952 ₩	32,211 ₩	(56,650) ₩		343,987
SK South East Asia Investment Pte. Ltd.	325,006	-	(18,195)	40,506	-		347,317
Magnus Private Investment Co., Ltd	150,840	-	32,920	-	-		183,760
HITECH Semiconductor (Wuxi) Co., Ltd.	113,430	-	17,545	9,660	(16,771)		123,864
Hystars Semiconductor (Wuxi) Co., Ltd.	195,423	-	8,520	22,830	-		226,773
Others	124,071	44,862	10,538	6,386	(1,130)		184,727
₩	<u>1,166,244</u> ₩	<u>44,862</u> ₩	<u>162,280</u> ₩	<u>111,593</u> ₩	<u>(74,551)</u> ₩		<u>1,410,428</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**11. Investments in Associates and Joint Ventures, Continued**

(4) Major associates and joint ventures' summarized statements of financial position as of December 31, 2022 and December 31, 2021 are as follows:

(In millions of Korean won)

		<b>December 31, 2022</b>			
		<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>
SK China Company Limited	₩	1,223,426	₩ 2,050,002	₩ 353,179	₩ -
SK South East Asia Investment Pte. Ltd.		145,399	3,024,694	487,762	-
Magnus Private Investment Co., Ltd.		3,014	-	31	-
HITECH Semiconductor (Wuxi) Co., Ltd.		252,162	369,578	119,652	203,569
Hystars Semiconductor (Wuxi) Co., Ltd.		175,833	526,041	14,939	250,428

(In millions of Korean won)

		<b>December 31, 2021</b>			
		<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>
SK China Company Limited	₩	982,428	₩ 1,841,336	₩ 52,979	₩ 314,823
SK South East Asia Investment Pte. Ltd.		132,551	2,841,200	411,228	-
Magnus Private Investment Co., Ltd.		241,256	514,986	132,763	439,719
HITECH Semiconductor (Wuxi) Co., Ltd.		279,304	357,074	129,193	225,942
Hystars Semiconductor (Wuxi) Co., Ltd.		176,141	580,937	20,139	287,473

(5) Major associates and joint ventures' summarized statements of comprehensive income (loss) for the years period ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

		<b>2022</b>		<b>2021</b>	
		<b>Revenue</b>	<b>Net profit</b>	<b>Revenue</b>	<b>Net profit</b>
SK China Company Limited	₩	62,354	₩ 11,674	₩ 80,178	₩ 935,034
SK South East Asia Investment Pte. Ltd.		416,747	(49,280)	9,937	(90,977)
Magnus Private Investment Co., Ltd.		86,757	98,745	615,954	32,920
HITECH Semiconductor (Wuxi) Co., Ltd.		750,422	37,380	636,882	40,309
Hystars Semiconductor (Wuxi) Co., Ltd.		60,126	(1,401)	72,220	17,005

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**12. Property, Plant and Equipment**

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

(In millions of Korean won)

	2022							₩
	Land	Buildings	Structures	Machinery	Vehicles	Others	Construction-in-progress	
<b>Beginning balance</b>	₩ 1,145,557	8,610,548	2,096,970	34,090,276	37,493	741,794	6,503,029	₩ 53,225,667
Acquisitions	78,105	383,566	462,123	12,776,162	129	259,712	5,690,112	19,649,909
Business combination	1,449	58,744	147	232,998	-	12,609	37,976	343,923
Impairment	-	-	(6,157)	(1,534)	-	-	-	(7,691)
Disposals	(91,525)	(67,618)	(358)	(5,255)	-	(1,150)	(25,708)	(191,614)
Depreciation	-	(546,363)	(160,765)	(12,026,217)	(3,375)	(308,338)	-	(13,045,058)
Transfers <sup>1</sup>	82,203	1,733,426	113,169	3,674,885	-	21,584	(5,638,529)	(13,262)
Exchange differences and others	3,415	78,329	(20,666)	200,526	(4)	(20)	5,074	266,654
<b>Ending balance</b>	<u>1,219,204</u>	<u>10,250,632</u>	<u>2,484,463</u>	<u>38,941,841</u>	<u>34,243</u>	<u>726,191</u>	<u>6,571,954</u>	<u>₩ 60,228,528</u>
Acquisition cost	1,219,204	12,568,297	3,473,214	105,694,014	49,196	2,516,161	6,571,954	132,092,040
Accumulated depreciation	-	(2,278,869)	(963,741)	(66,584,370)	(14,952)	(1,789,953)	-	(71,631,885)
Accumulated impairment	-	(23,226)	(25,010)	(161,875)	-	(14)	-	(210,125)
Government grants	-	(15,570)	-	(5,928)	(1)	(3)	-	(21,502)
₩	<u>1,219,204</u>	<u>10,250,632</u>	<u>2,484,463</u>	<u>38,941,841</u>	<u>34,243</u>	<u>726,191</u>	<u>6,571,954</u>	₩ <u>60,228,528</u>

<sup>1</sup> Included transfers between investment property and property, plant and equipment during the year ended December 31, 2022.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**12. Property, Plant and Equipment, Continued**

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

(In millions of Korean won)

	2021							
	Land	Buildings	Structures	Machinery	Vehicles	Others	Construction -in-progress	Total
<b>Beginning balance</b>	₩ 971,606	7,018,249	1,812,107	26,491,042	40,557	724,825	4,172,176	₩ 41,230,562
Acquisitions	22,031	223,588	283,158	8,558,128	249	208,926	4,073,975	13,370,055
Business combination	-	1,452,866	30,378	5,192,922	-	5,136	362,935	7,044,237
Disposals	(55)	(2,005)	(26)	(11,137)	-	(103)	(6,250)	(19,576)
Depreciation	-	(291,053)	(131,213)	(8,822,372)	(3,349)	(288,709)	-	(9,536,696)
Transfers <sup>1</sup>	147,905	110,006	36,117	1,815,099	-	75,229	(2,144,401)	39,955
Exchange differences and others	4,070	98,897	66,449	866,594	36	16,490	44,594	1,097,130
<b>Ending balance</b>	<u>1,145,557</u>	<u>8,610,548</u>	<u>2,096,970</u>	<u>34,090,276</u>	<u>37,493</u>	<u>741,794</u>	<u>6,503,029</u>	<u>53,225,667</u>
Acquisition cost	1,145,557	10,406,916	2,933,606	90,340,568	49,126	2,323,722	6,503,029	113,702,524
Accumulated depreciation	-	(1,756,215)	(817,532)	(56,080,096)	(11,627)	(1,581,899)	-	(60,247,369)
Accumulated impairment	-	(23,699)	(19,104)	(162,535)	-	(23)	-	(205,361)
Government grants	-	(16,454)	-	(7,661)	(6)	(6)	-	(24,127)
	<u>₩ 1,145,557</u>	<u>8,610,548</u>	<u>2,096,970</u>	<u>34,090,276</u>	<u>37,493</u>	<u>741,794</u>	<u>6,503,029</u>	<u>₩ 53,225,667</u>

<sup>1</sup> Included transfers between investment property and property, plant and equipment during the year ended December 31, 2021.

(2) Details of depreciation expense allocation for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	2022	2021
Cost of sales	₩ 12,180,724	₩ 8,743,316
Selling and administrative expenses	814,260	701,532
Development costs and other	50,074	91,848
	<u>₩ 13,045,058</u>	<u>₩ 9,536,696</u>

(3) Certain property, plant and equipment are pledged as collaterals for borrowings of the Group as of December 31, 2022 (Note 34).

(4) The Group capitalized borrowing costs amounting to ₩103,181 million (2021: ₩55,876 million) on qualifying assets during the year ended December 31, 2022. Borrowing costs were calculated using a capitalization rate of 2.64% (2021: 2.47%) for the year ended December 31, 2022.

(5) The Group provides certain property, plant, and equipment as operating leases. Rental income from the property, plant and equipment during the year ended December 31, 2022 are ₩15,537 million (2021: ₩14,699 million).

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**13. Leases**

(1) Leases as lessee

(a) Changes in right-of-use assets for the years ended December 31, 2022 and 2021 are as follows.

(In millions of Korean won)

	<b>2022</b>					
	<u>Properties</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Others</u>	<u>Total</u>
<b>Beginning balance</b>	₩ 200,474	1,022,677	347,353	14,457	12,383	₩ 1,597,344
Increase	299,982	116,600	37,573	10,445	32,119	496,719
Business Combination	974	-	-	550	19	1,543
Others	4,980	-	21,544	(1,519)	19	25,024
Depreciation	(68,040)	(90,700)	(138,367)	(11,462)	(18,234)	(326,803)
Foreign exchange difference	(1,591)	(11,436)	(540)	(38)	(237)	(13,842)
<b>Ending balance</b>	<u>436,779</u>	<u>1,037,141</u>	<u>267,563</u>	<u>12,433</u>	<u>26,069</u>	<u>₩ 1,779,985</u>
Acquisition cost	556,142	1,347,557	611,194	33,667	33,459	2,582,019
Accumulated depreciation	(87,133)	(310,416)	(343,631)	(21,234)	(7,390)	(769,804)
Government grants	(32,230)	-	-	-	-	(32,230)
	₩ <u>436,779</u>	<u>1,037,141</u>	<u>267,563</u>	<u>12,433</u>	<u>26,069</u>	₩ <u>1,779,985</u>

(In millions of Korean won)

	<b>2021</b>					
	<u>Properties</u>	<u>Structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Others</u>	<u>Total</u>
<b>Beginning balance</b>	₩ 111,860	1,048,208	504,539	18,207	24,831	₩ 1,707,645
Increase	57,663	13,958	85,791	9,002	55	166,469
Business Combination	48,933	-	580	-	-	49,513
Others	3,037	(10,879)	(67,812)	(2,795)	1,876	(76,573)
Depreciation	(31,904)	(86,716)	(179,536)	(10,197)	(15,743)	(324,096)
Foreign exchange difference	10,885	58,106	3,791	240	1,364	74,386
<b>Ending balance</b>	<u>200,474</u>	<u>1,022,677</u>	<u>347,353</u>	<u>14,457</u>	<u>12,383</u>	<u>₩ 1,597,344</u>
Acquisition cost	278,367	1,250,828	670,345	29,996	35,101	2,264,637
Accumulated depreciation	(43,921)	(228,151)	(322,992)	(15,539)	(22,718)	(633,321)
Government grants	(33,972)	-	-	-	-	(33,972)
	₩ <u>200,474</u>	<u>1,022,677</u>	<u>347,353</u>	<u>14,457</u>	<u>12,383</u>	₩ <u>1,597,344</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**13. Leases, Continued**

(1) Leases as lessee, Continued

(b) Changes in lease liabilities for the years ended December 31, 2022 and 2021 are as follows.

*(In millions of Korean won)*

	<b>2022</b>		<b>2021</b>
<b>Beginning balance</b>	₩ 1,525,762	₩	1,643,716
Acquisition	496,719		166,469
Business combination	1,478		582
Others	67,859		(76,580)
Interest expenses	38,591		32,410
Payments	(313,866)		(333,434)
Foreign exchange difference	(19,462)		92,599
<b>Ending balance</b>	<b>₩ 1,797,081</b>	₩	<b>1,525,762</b>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**13. Leases, Continued**

(1) Leases as lessee, Continued

(c) The details of the minimum lease payment to be paid in the future for each period in connection with lease liabilities, present value and current/non-current classification of lease liabilities as of December 31, 2022 are as follows:

*(In millions of Korean won)*

	<b>2022</b>
Less than 1 year	₩ 293,572
1~5 years	843,961
More than 5 years	936,737
Total lease liabilities undiscounted as of December 31, 2022	2,074,270
Present value of lease liabilities recognized as of December 31, 2022	1,797,081
Current lease liabilities	280,873
Noncurrent lease liabilities	1,516,208

(d) The amounts recognized in profit or loss in relation to right-of-use assets and lease liabilities for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Depreciation of right-to-use assets	₩ 326,803	₩ 324,096
Interest expenses of lease liabilities	38,591	32,410
Expenses relating to short-term leases	62,874	29,389
Expenses relating to leases of low-value assets	2,092	1,741

The total cash outflow from leases during the year ended December 31, 2022 is ₩378,833 million (2021: ₩364,564 million).

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**14. Intangible Assets**

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

(In millions of Korean won)

		<b>2022</b>				
		<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Others</b>	<b>Total</b>
<b>Beginning balance</b>	₩	1,572,014	88,396	548,074	2,588,678	₩ 4,797,162
Internal development		-	-	328,950	-	328,950
External acquisition		-	1,658	-	481,938	483,596
Business combination		51,276	1,809	-	144,100	197,185
Disposals		-	(2,337)	-	(3,055)	(5,392)
Amortization		-	(17,597)	(258,838)	(503,174)	(779,609)
Impairment		(921,177)	-	(257,692)	(423,133)	(1,602,002)
Transfers		-	18,522	-	(70,821)	(52,299)
Others		96,610	-	-	47,906	144,516
<b>Ending balance</b>		<u>798,723</u>	<u>90,451</u>	<u>360,494</u>	<u>2,262,439</u>	<u>3,512,107</u>
Acquisition cost		1,702,324	224,978	4,178,045	4,629,874	10,735,221
Accumulated amortization and impairment		(903,601)	(134,527)	(3,817,551)	(2,367,435)	(7,223,114)
	₩	<u>798,723</u>	<u>90,451</u>	<u>360,494</u>	<u>2,262,439</u>	₩ <u>3,512,107</u>

(In millions of Korean won)

		<b>2021</b>				
		<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Others</b>	<b>Total</b>
<b>Beginning balance</b>	₩	701,596	86,127	597,930	2,014,625	₩ 3,400,278
Internal development		-	-	362,863	-	362,863
External acquisition		-	11,336	-	549,344	560,680
Business combination		846,115	-	-	443,498	1,289,613
Disposals		-	(2,194)	-	(13,484)	(15,678)
Amortization		-	(16,831)	(369,650)	(409,452)	(795,933)
Impairment		-	-	(43,069)	(723)	(43,792)
Transfers		-	9,958	-	(6,466)	3,492
Others <sup>1</sup>		24,303	-	-	11,336	35,639
<b>Ending balance</b>		<u>1,572,014</u>	<u>88,396</u>	<u>548,074</u>	<u>2,588,678</u>	<u>4,797,162</u>
Acquisition cost		1,572,014	210,878	3,548,213	4,066,804	9,397,909
Accumulated amortization and impairment		-	(122,482)	(3,000,139)	(1,478,126)	(4,600,747)
	₩	<u>1,572,014</u>	<u>88,396</u>	<u>548,074</u>	<u>2,588,678</u>	₩ <u>4,797,162</u>

(2) Details of amortization expense allocation for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Cost of sales	₩ 333,758	₩ 248,920
Selling and administrative expenses	442,967	545,405
Development costs	2,884	1,608
	₩ <u>779,609</u>	₩ <u>795,933</u>

**SK hynix Inc. and Subsidiaries**  
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**14. Intangible Assets, Continued**

**(3) Goodwill impairment tests**

The Group allocates goodwill to identified CGUs, and the details of goodwill for each CGU as of December 31, 2022 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Existing CGU	₩ 798,723	₩ 726,738
Solidigm CGU	-	845,277
	<u>₩ 798,723</u>	<u>₩ 1,572,015</u>

As of December 31, 2022, CGUs to which goodwill has been allocated have been tested for impairment, and key assumptions used in calculating recoverable amount are as follows:

- Goodwill related to existing CGU : The recoverable amount of the existing CGU was measured at the value in use calculated by applying an after-tax discount rate of 10.4% per annum to the estimated after-tax cash flow based on the financial budget for the next 5 years approved by the management. Cash flow beyond 5 years is estimated assuming a 1.0% growth rate will continue. Management believes that the total carrying amount of the existing CGU will not exceed the total recoverable amount due to reasonably possible changes in key assumptions used to estimate recoverable amount.

- Goodwill related to Solidigm CGU : The recoverable amount of the CGU is measured at fair value less costs to sell by applying a 16% annual after-tax discount rate to the estimated after-tax cash flows based on the 10-year financial budget approved by the management together with market approach based fair value estimation applying comparable peer companies' revenue multiples to market capitalization. Cash flows beyond 10 years are estimated assuming a 1.0% growth rate will continue. The Group recognized ₩1,344,440 million of impairment loss as 'other non-operating expenses' to the amount of assets that are not expected to contribute to the creation of future economic benefits in the Solidigm CGU, and the amount of impairment was allocated to goodwill and other intangible assets.

(4) Among costs associated with development activities, ₩328,950 million (2021: ₩362,863 million) that met capitalization criteria, were capitalized as development cost for the year ended December 31, 2022. In addition, costs associated with research activities and other development expenditures that did not meet the criteria in the amount of ₩4,474,553 million (2021: ₩3,551,197 million) were recognized as expenses for the year ended December 31, 2022.

Meanwhile, the Group reviews whether indications for impairment of development costs exist at the end of the reporting period, and recognizes a total impairment loss of ₩ 257,692 million (2021: ₩ 43 million) for development projects whose recoverable value is less than the book value during the year ended December 31, 2022.

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**15. Investment Property**

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

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
<b>Beginning net book amount</b>	₩ 164,197	₩ 209,417
Disposal	(161,925)	-
Depreciation	(701)	(1,773)
Transfer <sup>1</sup>	(1,348)	(43,447)
<b>Ending net book amount</b>	<u>223</u>	<u>164,197</u>
Acquisition cost	511	170,549
Accumulated depreciation	(288)	(6,352)
	₩ <u>223</u>	₩ <u>164,197</u>

<sup>1</sup> Certain investment property was transferred to property, plant and equipment during the year ended December 31, 2022 and 2021.

(2) The depreciation expense of ₩701 million was charged to cost of sales for the year ended December 31, 2022 (2021: ₩1,773 million).

(3) Rental income from investment property during the year ended December 31, 2022 was ₩14,838 million (2021: ₩14,759 million).

**16. Other Payables**

Details of other payables as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Deposits payable	₩ 10,251	₩ 5,702
Accrued expenses	3,014,397	2,272,614
	<u>3,024,648</u>	<u>2,278,316</u>
<b>Non-current</b>		
Deposits payable	10,368	8,690
Long-term accrued expenses	17,715	23,525
	<u>28,083</u>	<u>32,215</u>
	₩ <u>3,052,731</u>	₩ <u>2,310,531</u>

**SK hynix Inc. and Subsidiaries**  
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**17. Borrowings**

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

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
<b>Current</b>		
Short-term borrowings	₩ 3,833,263	₩ 233,199
Current portion of long-term borrowings	2,620,180	2,087,796
Current portion of debentures	969,804	559,768
	<u>7,423,247</u>	<u>2,880,763</u>
<b>Non-current</b>		
Long-term borrowings	9,073,567	7,529,063
Debentures	6,497,790	7,213,983
	<u>15,571,357</u>	<u>14,743,046</u>
	₩ <u>22,994,604</u>	₩ <u>17,623,809</u>

(2) Details of borrowings as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>Financial institutions</u>	<u>Interest rate per annum in 2022 (%)</u>	<u>2022</u>	<u>2021</u>
<b>Short-term borrowings:</b>				
OAT Nego	ING and others	4.5 ~ 5.3	₩ 899,767	₩ -
Banker's Usance	Kookmin Bank and others	5.4 ~ 5.6	811,051	-
General borrowings	City Bank and others	1.4 ~ 6.1	1,807,445	233,199
Commercial Paper	SK Securities Co., Ltd.	4.6 ~ 5.4	315,000	-
			<u>3,833,263</u>	<u>233,199</u>
<b>Long-term borrowings:</b>				
Funds for equipment	Santander and others	1.0 ~ 5.7	4,686,870	3,038,049
Commercial Paper underwriting agreement	Shinhan Bank	4.7	300,000	300,000
Syndicated loan	Korea Development Bank and others	5.8 ~ 6.4	5,184,025	5,894,465
General borrowings	China Bank and others	0.9 ~ 6.3	1,212,701	302,618
collateralized borrowings	Macquarie Finance Korea Co.,Ltd.	4.2 ~ 7.9	376,049	115,657
			<u>11,759,645</u>	<u>9,650,789</u>
Less: Current portion			(2,620,180)	(2,087,796)
Less: Discounts on borrowings			(65,898)	(33,930)
			₩ <u>9,073,567</u>	₩ <u>7,529,063</u>

**SK hynix Inc. and Subsidiaries**  
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**17. Borrowings, Continued**

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

(In millions of Korean won)

	<u>Maturity date</u>	<u>Interest rate per annum in 2022 (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Unsecured notes in local currency:</b>				
Unsecured corporate bonds 214-2nd	2022.08.26	2.63	₩ - ₩	140,000
Unsecured corporate bonds 215-3rd	2022.11.25	2.75	-	10,000
Unsecured corporate bonds 216-3rd	2023.02.19	2.53	80,000	80,000
Unsecured corporate bonds 218th	2023.03.14	3.01	300,000	300,000
Unsecured corporate bonds 219-1st	2023.08.27	2.48	250,000	250,000
Unsecured corporate bonds 219-2nd	2025.08.27	2.67	90,000	90,000
Unsecured corporate bonds 220-1st	2022.05.09	1.96	-	410,000
Unsecured corporate bonds 220-2nd	2024.05.09	1.99	200,000	200,000
Unsecured corporate bonds 220-3rd	2026.05.09	2.17	120,000	120,000
Unsecured corporate bonds 220-4th	2029.05.09	2.54	250,000	250,000
Unsecured corporate bonds 221-1st	2023.02.14	1.61	340,000	340,000
Unsecured corporate bonds 221-2nd	2025.02.14	1.72	360,000	360,000
Unsecured corporate bonds 221-3rd	2027.02.14	1.93	130,000	130,000
Unsecured corporate bonds 221-4th	2030.02.14	2.21	230,000	230,000
Unsecured corporate bonds 222-1st	2030.11.10	2.33	70,000	70,000
Unsecured corporate bonds 222-2nd	2035.11.10	2.73	100,000	100,000
Unsecured corporate bonds 223-1st	2024.04.12	1.51	550,000	550,000
Unsecured corporate bonds 223-2nd	2026.04.13	1.89	360,000	360,000
Unsecured corporate bonds 223-3rd	2028.04.13	2.11	80,000	80,000
Unsecured corporate bonds 223-4th	2031.04.13	2.48	190,000	190,000
			<u>3,700,000</u>	<u>4,260,000</u>
<b>Unsecured notes in foreign currency:</b>				
Unsecured global bonds 9th	2024.09.17	3.00	633,650	592,750
Unsecured global bonds 10-1st	2024.01.19	1.00	633,650	592,750
Unsecured global bonds 10-2nd	2026.01.19	1.50	1,267,300	1,185,500
Unsecured global bonds 10-3rd	2031.01.19	2.38	1,267,300	1,185,500
			<u>3,801,900</u>	<u>3,556,500</u>
			<u>7,501,900</u>	<u>7,816,500</u>
Less: Discounts on debentures			(34,306)	(42,749)
Less: Current portion			(969,804)	(559,768)
			<u>₩ 6,497,790</u>	<u>₩ 7,213,983</u>

**SK hynix Inc. and Subsidiaries**  
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**18. Other Current and Non-current Liabilities**

Details of other current and non-current liabilities as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>December 31,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
<b>Current</b>				
Advance receipts	₩	18,433	₩	22,158
Unearned income		8,070		486
Withholdings		150,304		134,811
Contract liabilities		345,657		125,414
Others		11,871		11,911
		<u>534,335</u>		<u>294,780</u>
<b>Non-current</b>				
Other long-term employee benefits		182,425		94,005
Others		22,419		1
	₩	<u>204,844</u>	₩	<u>94,006</u>
		<u>739,179</u>		<u>388,786</u>

**19. Provisions**

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

(In millions of Korean won)

	<b>2022</b>				
	<b>Beginning</b>				<b>Ending</b>
	<b>Balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Balance</b>
Warranty	₩ 3,327	₩ 271,582	₩ (25,455)	₩ (138)	₩ 249,316
Emission allowances	6,840	4,100	-	(8,790)	2,150
Restoration	-	1,827	-	-	1,827
	<u>₩ 10,167</u>	<u>₩ 277,509</u>	<u>₩ (25,455)</u>	<u>₩ (8,928)</u>	<u>₩ 253,293</u>

(In millions of Korean won)

	<b>2021</b>				
	<b>Beginning</b>				<b>Ending</b>
	<b>Balance</b>	<b>Increase</b>	<b>Utilization</b>		<b>Balance</b>
Warranty	₩ 3,015	₩ 26,482	₩ (26,170)	₩	₩ 3,327
Emission allowances	10,782	5,785	(9,727)		6,840
	<u>₩ 13,797</u>	<u>₩ 32,267</u>	<u>₩ (35,897)</u>	₩	<u>₩ 10,167</u>

(2) Provisions for warranty

The Group estimates the expected warranty costs based on historical results and records provisions for warranty. Regarding the durability issue of certain products sold in the prior years, the Group separately estimated and recorded warranty provisions for the amount expected to be paid for product replacement and other customer supporting activities.

**SK hynix Inc. and Subsidiaries**  
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**19. Provisions, Continued**

(3) Provision for emission allowances

The Group recognizes estimated future payment for the number of emission certificates required to settle the Group's obligation exceeding the actual number of certificates on hand as emission allowances according to the Act on Allocation and Trading of Greenhouse Gas Emission Permits.

(a) Details of the allocated amount of emission permits as of the second and third compliance periods are as follows:

	<b>The third compliance period</b>					<b>Total</b>
	<b>(2021 - 2025)</b>					
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
Allocated emission permits	538	524	520	520	520	2,622

(b) Changes in the emission permits rights for the year ended December 31, 2022 are as follows:

*(In ten thousand tons CO2-eq)*

	<b>2022</b>
<b>Beginning balance</b>	<u>3</u>
Allocated	538
Purchase	2
Submission	(511)
Borrowing	-
Banking	(7)
Disposal	(25)
<b>Ending balance</b>	<u><u>-</u></u>

(c) The estimated net volume of emission made by the Group is 5.38 million tons as of December 31, 2022.

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**20. Defined Benefit Liabilities**

Under the defined benefit plan, the Group pays employee benefits to retired employees in the form of a lump sum based on their salaries and years of service at the time of their retirement. Accordingly, the Group is exposed to a variety of actuarial assumption risks such as risk associated with expected years of service, interest risk, and market (investment) risk.

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

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	₩ 2,259,125	₩ 2,392,020
Fair value of plan assets	(3,521,426)	(2,819,782)
Net defined benefit liabilities	₩ (1,262,301)	₩ (427,762)
Defined benefit liabilities	69,952	1,200
Defined benefit assets <sup>1</sup>	1,332,253	428,962

<sup>1</sup> The Parent Company and certain subsidiaries' fair value of plan assets in excess of the present value of defined benefit obligations amounted to ₩1,332,253 million and ₩428,962 million as of December 31, 2022 and 2021 are presented as defined benefit assets.

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

	<b>December 31, 2022 (%)</b>	<b>December 31, 2021 (%)</b>
Discount rate for defined benefit obligations	5.18 ~ 6.48	2.50 ~ 4.01
Expected rate of salary increase	2.70 ~ 5.74	3.00 ~ 5.52

(3) Weighted average durations of defined benefit obligations as of December 31, 2022 and 2021 are 12.00 and 11.76 years, respectively.

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

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Beginning balance</b>	₩ 2,392,020	₩ 2,169,154
Current service cost	270,071	256,867
Past service cost	(3,745)	(2,199)
Interest expense	94,954	74,615
Transfer from associates	(1,981)	(2,763)
Remeasurements:	(540,525)	(13,956)
Demographic assumption	-	(292)
Financial assumption	(631,994)	(123,677)
Adjustment based on experience	91,469	110,013
Benefits paid	(107,451)	(89,784)
Effect of movements in exchange rates	834	86
Business combination	154,948	-
<b>Ending balance</b>	₩ 2,259,125	₩ 2,392,020

**SK hynix Inc. and Subsidiaries**  
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**20. Defined Benefit Liabilities, Continued**

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

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
<b>Beginning balance</b>	₩ 2,819,782	₩ 2,228,377
Contributions	697,704	641,680
Interest income	110,039	76,607
Transfer from associates	929	56
Benefits paid	(92,796)	(94,276)
Business combination	45,156	-
Remeasurements	(59,391)	(32,695)
Foreign exchange differences	3	33
<b>Ending balance</b>	<b>₩ 3,521,426</b>	<b>₩ 2,819,782</b>

(6) The amounts recognized in profit or loss for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Current service cost	₩ 270,071	₩ 256,867
Past service cost	(3,745)	(2,199)
Net interest expense	(15,085)	(1,993)
	<b>₩ 251,241</b>	<b>₩ 252,675</b>

(7) The amounts in which defined benefit plan related expenses are included for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Cost of sales	₩ 136,636	₩ 137,401
Selling and administrative expenses	114,605	115,274
	<b>₩ 251,241</b>	<b>₩ 252,675</b>

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

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Deposits	₩ 3,520,203	₩ 2,818,634
Others	1,223	1,148
	<b>₩ 3,521,426</b>	<b>₩ 2,819,782</b>

Actual return on plan assets for the years ended December 31, 2022 and 2021 amounted to ₩50,657 million and ₩43,915 million, respectively.

(9) As of December 31, 2022, the Group funded defined benefit obligations through insurance plans with Mirae Asset Life Insurance Co., Ltd. and other insurance companies. The Group's reasonable estimation of contribution to the plan assets for the year ending December 31, 2022 is ₩433,130 million under the assumption that the Group maintains the defined benefit plan.

**SK hynix Inc. and Subsidiaries**  
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**20. Defined Benefit Liabilities, Continued**

(10) The sensitivity analysis of the defined benefit obligations as of December 31, 2022 to changes in the principal assumptions is as follows:

*(In millions of Korean won)*

	<b>Effects on defined benefit obligation</b>	
	<b>Increase of rate</b>	<b>Decrease of rate</b>
Discount rate (if changed by 1%)	₩ (218,557)	256,611
Expected rate of salary increase (if changed by 1%)	264,460	(228,038)

The sensitivity analysis above was calculated under the assumption that other assumptions were constant. The sensitivity of defined benefit liabilities to changes in major actuarial assumptions was calculated using the same predictive unit approach used to calculate defined benefit liabilities recognized in the statement of financial position.

(11) The Group adopted defined contribution plan for retirement benefit for employees subject to peak wage system. Contributions to defined contribution plans amounting to ₩6,337 million (2021: ₩3,040 million) was expensed for the year ended December 31, 2022.

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**21. Deferred Income Tax**

(1) Changes in deferred income tax assets and liabilities for the years ended December 31, 2022 and 2021 without taking into consideration the offsetting of balances within the same tax authority, are as follows:

(In millions of Korean won)

	<b>2022</b>				
	<b>Beginning</b>	<b>Profit or loss</b>	<b>Equity</b>	<b>Foreign exchange differences</b>	<b>Ending</b>
Inventories, net	₩ 105,708	221,859	-	(249)	₩ 327,318
Property, plant and equipment, net	369,812	(92,556)	-	(46,450)	230,806
Defined benefits liabilities, net	(109,742)	(23,585)	(131,645)	1,243	(263,729)
Short-term and long-term investment assets and others	(672,963)	327,592	-	-	(345,371)
Employee benefits	56,531	22,529	-	2,602	81,662
Provisions	(27,862)	53,969	-	339	26,446
Other assets and other liabilities	27,145	31,317	-	(145)	58,317
Accrued expenses	124,565	27,428	-	-	151,993
Others	14,852	(14,223)	(1,840)	(10,955)	(12,166)
Deferred tax assets for temporary differences, net	(111,954)	554,330	(133,485)	(53,615)	255,276
Tax credit carryforwards recognized	4,457	(17)	-	98	4,538
Tax loss carryforwards recognized	69,746	(60,715)	-	5,793	14,824
<b>Deferred tax assets recognized, net</b>	<b>₩ (37,751)</b>	<b>493,598</b>	<b>(133,485)</b>	<b>(47,724)</b>	<b>₩ 274,638</b>

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**21. Deferred Income Tax, Continued**

(1) Changes in deferred income tax assets and liabilities for the years ended December 31, 2022 and 2021 without taking into consideration the offsetting of balances within the same tax authority, are as follows;  
Continued:

(In millions of Korean won)

	<b>2021</b>				
	<u>Beginning</u>	<u>Profit or loss</u>	<u>Equity</u>	<u>Foreign exchange differences</u>	<u>Ending</u>
Inventories, net	₩ 123,341	(18,116)	-	483	₩ 105,708
Property, plant and equipment, net	436,672	(112,254)	-	45,394	369,812
Defined benefits liabilities, net	(1,876)	(112,888)	5,028	(6)	(109,742)
Short-term and long-term investment assets and others	(542,300)	(130,663)	-	-	(672,963)
Employee benefits	59,471	(2,946)	-	6	56,531
Provisions	(9,441)	(18,471)	-	50	(27,862)
Other assets and other liabilities	19,378	7,939	-	(172)	27,145
Accrued expenses	100,714	23,851	-	-	124,565
Others	11,815	1,994	-	1,043	14,852
Deferred tax assets for temporary differences, net	197,774	(361,554)	5,028	46,798	(111,954)
Tax credit carryforwards recognized	3,899	227	-	331	4,457
Tax loss carryforwards recognized	87,881	(24,771)	-	6,636	69,746
<b>Deferred tax assets recognized, net</b>	<u>₩ 289,554</u>	<u>(386,098)</u>	<u>5,028</u>	<u>53,765</u>	<u>₩ (37,751)</u>

(2) As of December 31, 2022 and 2021, the temporary differences that are not recognized as deferred tax assets (liabilities) are as follows:

(In millions of Korean won)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in subsidiaries, associates, and joint ventures and others		
Deductible temporary differences	₩ 5,977,786	₩ 2,843,394
Taxable temporary differences	(3,262,933)	(3,334,324)
	<u>2,714,853</u>	<u>(490,930)</u>
Deductible temporary differences and others	7,115	5,304

**SK hynix Inc. and Subsidiaries**  
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**21. Deferred Income Tax, Continued**

(3) Details of period when the deferred income tax assets (liabilities) are recovered (settled) as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deferred income tax assets to be recovered after more than 12 months	₩ 1,063,078	₩ 1,322,134
Deferred income tax assets to be recovered within 12 months	570,292	275,415
<b>Deferred income tax assets recognized</b>	<b>1,633,370</b>	<b>1,597,549</b>
Deferred income tax liabilities to be recovered after more than 12 months	(1,357,867)	(1,634,805)
Deferred income tax liabilities to be settled within 12 months	(865)	(495)
<b>Deferred income tax liabilities recognized</b>	<b>(1,358,732)</b>	<b>(1,635,300)</b>
<b>Net income deferred tax assets (liabilities) recognized</b>	<b>₩ 274,638</b>	<b>₩ (37,751)</b>

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**22. Derivative Financial Instruments**

(1) Cross currency and interest rate swap

(a) Details of derivative financial instruments applying cash flow hedge accounting as of December 31, 2022 are as follows:

(In thousands of foreign currencies)

Hedged items			Hedging instruments		
Borrowing date	Financial instrument	Hedged risk	Type of contract	Financial institution	Contract period
2019.09.17	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	Foreign currency risk	Fixed-to-fixed cross currency swap	Kookmin Bank and other	2019.09.17 ~ 2024.09.17
2019.10.02	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	Foreign currency and interest rate risk	Floating-to-fixed cross currency interest rate swap	Korea Development Bank	2019.10.02 ~ 2026.10.02
2020.02.03	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.02.03 ~ 2023.02.03
2020.03.18	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	Interest rate risk	Interest rate swap	Woori Bank	2020.03.18 ~ 2023.02.03

(b) The derivative financial instruments held by the Group are presented in non-current other financial assets and non-current other financial liabilities in the consolidated financial statements of financial position as of December 31, 2022, and the details are as follows:

(In millions of Korean won and thousands of foreign currencies)

Type of contract	Hedged items	Cash flow hedge	Fair value
Fixed-to-fixed cross currency swap	Foreign currency denominated bond with fixed rate (Par value: USD 500,000)	₩ 41,822	₩ 41,822
Floating-to-fixed cross currency interest rate swap	Foreign currency denominated borrowing for equipment with floating rate (Par value: USD 500,000)	72,112	72,112
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	485	485
Interest rate swap	Foreign currency denominated borrowing with floating rate (Par value: USD 50,000)	598	598
			₩ 115,017

As of December 31, 2022, changes of fair value of the derivative is recognized in other comprehensive income or loss as all of designated hedging instruments are effective for foreign currency risk or foreign currency and interest rate risk.

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**23. Capital Stock, Capital Surplus and Other Equity**

(1) The Parent Company has 9,000,000,000 authorized shares and the face value per share is ₩ 5,000 as of December 31, 2022. The number of shares issued, common stock, capital surplus and other capital as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won and thousands of shares)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Issued shares <sup>1</sup>	731,530	731,530
<b>Capital stock:</b>		
Common stock	₩ 3,657,652	₩ 3,657,652
<b>Capital surplus:</b>		
Additional paid-in capital	3,625,797	3,625,797
Others	710,373	708,846
	<u>4,336,170</u>	<u>4,334,643</u>
<b>Other equity:</b>		
Acquisition cost of treasury shares <sup>2</sup>	(2,300,387)	(2,302,119)
Share options	8,011	7,557
Others <sup>3</sup>	(19,033)	-
	<u>₩ (2,311,409) ₩</u>	<u>(2,294,562)</u>
Number of treasury shares	40,351	40,382

<sup>1</sup> As of December 31, 2022, the number of outstanding shares is 728,002 thousand shares, which differs from total issued shares due to share retirement.

<sup>2</sup> The Group disposed 30,367 treasury shares and, accordingly, gained on disposal of treasury shares of ₩1,527 million occurred.

<sup>3</sup> As the Group changed the manner of share-based payment from equity-settlement to cash-settlement, the remeasured value of share based payments was recognized in other equity.

(2) The number of outstanding shares, which deducted treasury shares held by the Parent Company from listed shares of December 31, 2022 and 2021, are as follows:

(In shares)

	<b>December 31, 2022</b>		
	<b>Outstanding shares</b>	<b>Treasury shares</b>	<b>Total</b>
The number of outstanding shares	728,002,365	40,351,325	687,651,040

(In shares)

	<b>December 31, 2021</b>		
	<b>Outstanding shares</b>	<b>Treasury shares</b>	<b>Total</b>
The number of outstanding shares	728,002,365	40,381,692	687,620,673

**SK hynix Inc. and Subsidiaries**  
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**24. Accumulated Other Comprehensive Loss**

Details of accumulated other comprehensive loss as of December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>		<b>December 31, 2021</b>
Equity-accounted investees – share of other comprehensive income	₩ 125,051	₩	54,051
Foreign operations – foreign currency translation differences	745,427		598,741
Gain on valuation of derivatives	28,204		22,479
	₩ 898,682	₩	675,271

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**25. Retained Earnings**

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

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Legal reserve <sup>1</sup>	₩ 535,877	₩ 429,983
Discretionary reserve <sup>2</sup>	235,506	235,506
Unappropriated retained earnings	55,913,877	55,118,579
	<u>₩ 56,685,260</u>	<u>₩ 55,784,068</u>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit.

<sup>2</sup> Discretionary reserve is the reserve for technology development.

**(2) Dividends of the Parent Company**

(a) Details of dividends for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won and In thousands of shares)*

	<b>2022</b>	<b>2021</b>
Type of dividends	Cash Dividends	Cash Dividends
Outstanding ordinary shares	687,651	687,621
Par value (in won)	₩ 5,000	₩ 5,000
Dividend rate	24.00%	31.00%
Total dividends	<u>₩ 825,181</u>	<u>₩ 1,058,936</u>

(b) Dividend payout ratio for the years ended December 31, 2022 and 2021 is as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Dividends	₩ 825,181	₩ 1,058,936
Profit attributable to owners of the Parent Company	2,229,560	9,602,316
Dividend payout ratio	<u>37.01%</u>	<u>11.03%</u>

(c) Dividend yield ratio for the years ended December 31, 2022 and 2021 is as follows:

*(In Korean won)*

	<b>2022</b>	<b>2021</b>
Dividends per share	₩ 1,200	₩ 1,540
Closing stock price	75,000	131,000
Dividend yield ratio	<u>1.60%</u>	<u>1.18%</u>

**SK hynix Inc. and Subsidiaries**  
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**26. Revenue**

(1) Details of the Group's revenue for years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Sale of goods	₩ 44,540,140	₩ 42,932,963
Providing services	81,428	64,829
	<u>₩ 44,621,568</u>	<u>₩ 42,997,792</u>

(2) Details of the Group's revenue by product and service types for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
DRAM	₩ 28,168,802	₩ 30,599,711
NAND Flash	14,183,923	10,529,447
Others	2,268,843	1,868,634
	<u>₩ 44,621,568</u>	<u>₩ 42,997,792</u>

(3) The Group's revenue information by region based on the location of selling entities for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Korea	₩ 1,225,765	₩ 1,461,982
China	12,210,470	15,730,223
Asia (other than China)	5,615,384	7,022,929
U.S.A.	23,960,980	17,144,323
Europe	1,608,969	1,638,335
	<u>₩ 44,621,568</u>	<u>₩ 42,997,792</u>

(4) Details of the Group's revenue by the timing of revenue recognition during the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Performance obligations satisfied at a point in time	₩ 44,540,140	₩ 42,932,963
Performance obligations satisfied over time	81,428	64,829
	<u>₩ 44,621,568</u>	<u>₩ 42,997,792</u>

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**27. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<u>2022</u>	<u>2021</u>
<b>Selling and administrative expenses:</b>		
Salaries	₩ 1,079,387	₩ 787,830
Defined benefit plan	44,341	41,326
Employee benefits	237,640	181,651
Commission	1,095,111	519,432
Depreciation	264,845	218,673
Amortization	414,554	526,181
Freight and custody charges	58,688	48,189
Taxes and dues	102,035	88,248
Advertising	113,401	93,050
Supplies	157,009	109,138
Sales promotion expenses	172,715	165,482
Quality control cost	272,554	31,925
Others	331,605	179,530
	<u>4,343,885</u>	<u>2,990,655</u>
<b>Research and development:</b>		
Expenditure on research and development	4,803,503	3,914,060
Development cost capitalized	(328,950)	(362,863)
	<u>4,474,553</u>	<u>3,551,197</u>
	<u>₩ 8,818,438</u>	<u>₩ 6,541,852</u>

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**28. Expenses by Nature**

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

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
Changes in finished goods and work-in-process	₩ (5,883,574)	₩ (660,386)
Raw materials, supplies and consumables	11,150,976	8,243,214
Employee benefit	7,854,478	5,311,842
Depreciation and others	14,135,292	10,646,887
Commission	4,106,607	2,521,074
Utilities	2,226,716	1,612,864
Repair	1,580,065	1,298,083
Outsourcing	1,676,125	1,035,735
Others	1,316,343	961,171
Transfer: capitalized development cost and others	(350,877)	(383,032)
Total <sup>1</sup>	₩ <u>37,812,151</u>	₩ <u>30,587,452</u>

<sup>1</sup> Total expenses consist of cost of sales and selling and administrative expenses.

**29. Finance Income and Expenses**

Finance income and expenses for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
<b>Finance Income:</b>		
Interest income	₩ 89,561	₩ 22,419
Dividend income	2,425	10,163
Foreign exchange differences	3,486,872	1,693,274
Others	135,420	651,660
	<u>3,714,278</u>	<u>2,377,516</u>
<b>Finance Expenses:</b>		
Interest expense	533,114	259,960
Foreign exchange differences <sup>1</sup>	3,892,100	1,204,657
Loss on valuation of long-term investment assets	623,923	3,402
Others	42,416	1,841
	<u>5,091,553</u>	<u>1,469,860</u>
<b>Net finance income (expenses)</b>	₩ <u>(1,377,275)</u>	₩ <u>907,656</u>

<sup>1</sup> For the year ended December 31, 2022, the foreign exchange difference gain from long-term investment assets amounting to ₩472,381 million (2021: ₩132,614 million) is included.

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**30. Other Income and Expenses**

(1) Other income for years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
Gain on disposal of property, plant and equipment	₩ 137,507	₩ 71,681
Gain on disposal of investment property	64,418	-
Others	39,446	44,454
	<u>₩ 241,371</u>	<u>₩ 116,135</u>

(2) Other expenses for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant and equipment	₩ 39,284	₩ 12,324
Loss on disposal of trade receivables	11,322	5,462
Loss on impairment of intangible assets	1,602,182	43,792
Donation	74,220	77,334
Others	74,911	41,512
	<u>₩ 1,801,919</u>	<u>₩ 180,424</u>

**31. Income Tax Expense**

(1) Income tax expense for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
<b>Current tax:</b>		
Current tax on profits for the year	₩ 2,275,939	₩ 3,308,525
Adjustments for the current tax liabilities attributable to prior year, but recognized in current year	(21,231)	105,176
	<u>2,254,708</u>	<u>3,413,701</u>
<b>Deferred tax:</b>		
Changes in net deferred tax assets	(493,597)	386,098
<b>Income tax expense</b>	<u>₩ 1,761,111</u>	<u>₩ 3,799,799</u>

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**31. Income Tax Expense, continued**

(2) The relationship between tax expense and accounting profit for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Profit before income tax</b>	₩ 4,002,780	₩ 13,415,987
<b>Tax calculated at domestic tax rates applicable to profits in the respective countries</b>	681,566	3,774,276
<b>Tax effects of:</b>		
Tax-exempt income	(10,593)	(6,401)
Non-deductible expenses	269,253	15,668
Change in unrecognized deferred tax assets	1,334,569	(889)
Tax credits	(493,385)	(207,886)
Adjustments for the current tax liabilities attributable to prior year, but recognized in current year	(6,221)	78,151
Others	(14,078)	146,880
<b>Income tax expense</b>	₩ <u>1,761,111</u>	₩ <u>3,799,799</u>

(3) Income taxes recognized in other comprehensive income (loss) for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Remeasurements of defined benefit liabilities	₩ (131,645)	₩ 5,028
Gain on valuation of derivatives	(1,840)	(3,275)
Gain on disposal of treasury stock	(579)	(72,542)
	₩ <u>(134,064)</u>	₩ <u>(70,789)</u>

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**32. Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Parent Company by the weighted average number of outstanding ordinary shares for years ended December 31, 2022 and 2021.

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

*(In millions of Korean won, except for shares and per share information)*

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Parent Company	₩ 2,229,560	₩ 9,602,316
Weighted average number of outstanding ordinary shares <sup>1</sup>	687,645,878	686,411,075
<b>Basic earnings per share (in won)</b>	<u>₩ 3,242</u>	<u>₩ 13,989</u>

<sup>1</sup> Weighted average number of outstanding ordinary shares is calculated as follows:

*(In shares)*

	<u>2022</u>	<u>2021</u>
Outstanding ordinary shares	728,002,365	728,002,365
Acquisition of treasury shares	(40,356,487)	(41,591,290)
<b>Weighted average number of outstanding ordinary shares</b>	<u>687,645,878</u>	<u>686,411,075</u>

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

*(In millions of Korean won, except for shares and per share information)*

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Parent Company	₩ 2,229,560	₩ 9,602,316
Weighted average number of diluted outstanding ordinary shares <sup>1</sup>	687,800,760	686,661,446
<b>Diluted earnings per share (in won)</b>	<u>₩ 3,242</u>	<u>₩ 13,984</u>

<sup>1</sup> Weighted average number of diluted outstanding ordinary shares is calculated as follows:

*(In shares)*

	<u>2022</u>	<u>2021</u>
Weighted average number of outstanding ordinary shares	687,645,878	686,411,075
Stock options	154,882	250,371
<b>Weighted average number of diluted outstanding ordinary shares</b>	<u>687,800,760</u>	<u>686,661,446</u>

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**33. Transactions with Related Parties and Others**

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

<b>Type</b>	<b>Name of related parties</b>
Associates	Stratio, Inc., SK China Company Limited, Gemini Partners Pte. Ltd., TCL Fund, SK South East Asia Investment Pte. Ltd., Hushan Xinju (Chengdu) Venture Investment Center (Smartsource), Prume Social Farm, Co., Ltd., Wuxi xinfu IC industry park., Ltd. Mirae Asset Committee Semiconductor No. 1 Startup Venture Private Equity Investment Co., Ltd. Magnus Private Investment Co., Ltd., L&S (No.10) Early Stage III Investment Association, SiFive Inc., YD-SK-KDB Social Value Ningbo Zhongxin Venture Capital Partnership (Limited Partnership), Jiangsu KVTS Semiconductor science and Technology Co., Ltd. Sapeon Inc
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd., Hystars Semiconductor (Wuxi) Co., Ltd. Specialized Investment-type Private Equity Investment Trust For Growth Of Semiconductor Specialized Investment-type Private Equity Investment Trust For Win-win System Semiconductor
Other related parties	SK Square Co., Ltd., which has significant influence over the Group, and its subsidiaries, SK Holdings Co., Ltd., which has control over SK Square Co., Ltd., and its subsidiaries

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**33. Transactions with Related Parties and Others, Continued**

(2) Significant transactions for the years ended December 31, 2022 and 2021 are as follows::

(In millions of Korean won)

		For the year ended December 31, 2022		
		Sales and others	Purchase and others	Asset acquisition
Associate	SK China Company Limited	₩ 35	₩ 12,443	₩ -
	Prume Social Farm, Co., Ltd.	-	47	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	3,248	668,740	17,820
	Hystars Semiconductor (Wuxi) Co., Ltd.	218	63,387	-
Other related parties	SK Telecom Co., Ltd.	147,794	39,991	12,563
	SK Holdings Co., Ltd. <sup>1</sup>	21,529	348,848	216,413
	ESSENCORE Limited	631,252	-	-
	SK Ecoplant Co., Ltd.	45,047	13	2,365,650
	SK Ecoengineering Co., Ltd.	-	-	256,599
	SK Energy Co., Ltd.	58,350	157,250	-
	SK Networks Co., Ltd.	6,887	8,787	2,141
	SKC Solmics Co., Ltd.	1,449	150,205	648
	Chungcheong energy service Co., Ltd.	306	55,806	132
	SK Materials Co., Ltd.	5,161	206,608	-
	SK Siltron Co., Ltd.	41,998	463,384	-
	SK Materials Airplus Inc.	7,201	119,518	108,855
	Techdream Co., Ltd.	-	200,412	-
	SK Tri Chem Co., Ltd.	1,449	218,605	-
	SK Shieldus Co., Ltd.	4,638	101,806	29,562
	SK Innovation Co., Ltd.	17,488	76,565	36
SK Square Co., Ltd.	554	1,175	-	
SK REIT Co., Ltd.	507,200	3,409	113,377	
FSK L&S Co., Ltd.	17	113,913	62,065	
Others	203,431	246,408	81,649	
	₩ 1,705,252	₩ 3,257,320	₩ 3,267,510	

<sup>1</sup> For the year ended December 31, 2022, royalty paid for the use of the SK brand.

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**33. Transactions with Related Parties and Others, Continued**

(2) Significant transactions for the years ended December 31, 2022 and 2021 are as follows, Continued:

(In millions of Korean won)

		For the year ended December 31, 2021		
		Sales and others	Purchase and others	Asset acquisition
Associate	SK China Company Limited	₩ 33	₩ 11,947	₩ -
	Magnus Private Investment Co., Ltd.	54,908	357	-
	Prume Social Farm, Co., Ltd.	-	4	-
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	2,456	558,352	44,438
	Hystars Semiconductor (Wuxi) Co., Ltd.	219	21,858	9,233
Other related parties	SK Telecom Co., Ltd.	133,903	28,583	11,163
	SK Holdings Co., Ltd. <sup>1</sup>	24,902	300,562	225,956
	ESSEN CORE Limited	824,182	-	-
	SK Ecoplant Co., Ltd.	30,069	266	1,981,424
	SK Energy Co., Ltd.	46,723	96,484	2,558
	SK Networks Co., Ltd.	6,763	8,721	10,210
	SKC Solmics Co., Ltd.	1,050	138,592	338
	Chungcheong energy service Co., Ltd.	54	28,807	-
	SK Materials Co., Ltd.	3,980	141,251	-
	SK Siltron Co., Ltd.	33,707	336,717	-
	SK Materials Airplus Inc.	823	128,039	-
	Techdream Co., Ltd.	-	130,229	-
	SK Tri Chem Co., Ltd.	635	145,013	-
	SK Shieldus Co., Ltd.	2,184	73,713	34,928
	SK Innovation Co., Ltd.	31,343	68,379	44
	SK Square Co., Ltd.	-	167	-
Others	147,643	281,611	50,325	
	₩ 1,345,577	₩ 2,499,652	₩ 2,370,617	

<sup>1</sup> For the year ended December 31, 2021, royalty paid for the use of the SK brand.

The above related party transactions include transactions executed based on agreements executed in the course of the Group's business activities such as purchase or construction of property, plant and equipment, procurements of gas and raw materials, and system developments and maintenance services.

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**33. Transactions with Related Parties and Others, Continued**

(3) The balances from significant transactions as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

		December 31, 2022	
	Company	Trade receivables and others	Other payables and others
Associate	SK China Company Limited	₩ 4	₩ 12,144
	Prume Social Farm, Co., Ltd.	-	6
Joint venture	HITECH Semiconductor (Wuxi) Co., Ltd.	341	389,625
	Hystars Semiconductor(Wuxi) Co., Ltd. <sup>1</sup>	15	119,209
	Other related parties	SK Telecom Co., Ltd.	30,681
	SK Holdings Co., Ltd.	1,716	216,014
	ESSEN CORE Limited	30,587	-
	SK Ecoplant Co.,Ltd.	8,047	1,167,535
	SK Ecoengineering Co., Ltd.	-	166,191
	SK Energy Co., Ltd.	2,560	41,114
	SK Networks Co., Ltd.	674	10,292
	SKC Solmics Co., Ltd.	183	40,299
	Chungcheong energy service Co., Ltd.	149	10,540
	SK Materials Co., Ltd.	597	19,560
	SK Siltron Co., Ltd.	4,299	47,185
	SK Materials Airplus Inc.	71	457,182
	Techdream Co., Ltd.	-	8,556
	SK Tri Chem Co.,Ltd.	471	15,441
	SK Shieldus Co.,Ltd.	602	43,261
	SK Innovation Co., Ltd.	857	7,217
	SK Square Co.,Ltd.	690	1,175
	SK REIT Co., Ltd.	-	177,311
	FSK L&S Co., Ltd.	2	9,430
	Others	43,959	59,757
		₩ 126,505	₩ 3,034,884

<sup>1</sup> Other payables and others include ₩ 41,399 million of borrowings.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**33. Transactions with Related Parties and Others, Continued**

(3) The balances from significant transactions as of December 31, 2022 and 2021 are as follows, Continued

(In millions of Korean won)

		<b>December 31, 2021</b>	
<b>Company</b>		<b>Trade receivables and others</b>	<b>Other payables and others <sup>1</sup></b>
Associate	SK China Company Limited	₩ 2	₩ 11,360
	Magnus Private Investment Co.,Ltd	806	5
	Prume Social Farm, Co., Ltd.	-	4
Joint ventures	HITECH Semiconductor (Wuxi) Co., Ltd.	23	427,476
	Hystars Semiconductor (Wuxi) Co., Ltd. <sup>1</sup>	33	185,585
Other related parties	SK Telecom Co., Ltd.	48,575	11,789
	SK Holdings Co., Ltd.	1,938	200,176
	ESSENCORE Limited	60,527	-
	SK Ecoplant Co.,Ltd.	3,216	1,185,318
	SK Energy Co., Ltd.	3,204	27,773
	SK Networks Co., Ltd.	256	10,493
	SKC Solmics Co., Ltd.	137	39,974
	Chungcheong energy service Co., Ltd.	10	5,742
	SK Materials Co., Ltd.	3	16,533
	SK Siltron Co., Ltd.	3,904	32,434
	SK Materials Airplus Inc.	13	376,050
	Techdream Co., Ltd.	-	5,835
	SK Tri Chem Co.,Ltd.	156	13,251
	SK Shieldus Co.,Ltd.	3,236	35,285
	SK Innovation Co., Ltd.	1,074	7,794
SK Square Co.,Ltd.	-	167	
Others	26,765	59,789	
		<b>₩ 153,878</b>	<b>₩ 2,652,833</b>

<sup>1</sup> Other payables and others include ₩ 78,819 million of borrowings.

**SK hynix Inc. and Subsidiaries**  
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**33. Transactions with Related Parties and Others, Continued**

(4) Key management compensation

The Group considers registered directors who have authority and responsibility for planning, directing and controlling the activities of the Group as key management. The compensation paid to key management for employee services for the years ended December 31, 2022 and 2021 is as follows:

(In millions of Korean won)

Details	2022	2021
Salaries	₩ 5,891	₩ 5,133
Defined benefit plan related expenses	411	640
Share-based payment	7,762	851
	₩ 14,064	₩ 6,624

(5) The significant transactions between the Group and the companies that are in the same conglomerate group according to 'Fair Trade Law' for the years ended December 31, 2022 and 2021 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Name of entity	2022		
	Sales and others	Purchase and others	Asset acquisition
SK Chemicals Co., Ltd.	₩ 8,962	₩ 1,369	₩ -
SK Bioscience Co., Ltd.	2,919	243	-
ANTS Co., Ltd.	11	14,047	-
SM Core Co., Ltd.	16	8,551	49,553
Korea Nexlene Company	4,668	-	-
Others	2,618	1,877	280
	₩ 19,194	₩ 26,087	₩ 49,833

(In millions of Korean won)

Name of entity	2021		
	Sales and others	Purchase and others	Asset acquisition
SK Chemicals Co., Ltd.	₩ 11,472	₩ 1,192	₩ -
SK Bioscience Co., Ltd.	2,733	265	-
ANTS Co., Ltd.	4	12,679	22
SM Core Co., Ltd.	11	742	3,140
Korea Nexlene Company	4,797	-	-
Others	2,484	1,296	-
	₩ 21,501	₩ 16,174	₩ 3,162

**SK hynix Inc. and Subsidiaries**  
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**33. Transactions with Related Parties and Others, Continued**

(6) The balances of significant transactions between the Group and the companies that are in the same conglomerate group designated by 'Fair Trade Law' as of December 31, 2022, 2021 are as follows. These entities are not related parties according to Korean IFRS 1024 *Related Party Disclosures*.

(In millions of Korean won)

Name of entity	December 31, 2022	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 871	₩ 69
SK Bioscience Co., Ltd	264	-
ANTS Co., Ltd.	2	1,082
SMCore. Inc	-	18,644
Korea Nexlene Company	512	-
Others	234	18
	₩ 1,883	₩ 19,813

(In millions of Korean won)

Name of entity	December 31, 2021	
	Trade receivables and others	Other payables and others
SK Chemicals Co., Ltd.	₩ 1,135	₩ 95
SK Bioscience Co., Ltd	414	195
ANTS Co., Ltd.	1	12
SMCore. Inc	7	3,212
Korea Nexlene Company	182	-
Others	249	-
	₩ 1,988	₩ 3,514

(7) The right-of-use assets and lease liabilities recognized regarding the lease agreements with HITECH Semiconductor (Wuxi) Co., Ltd. and Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture for the year ended December 31, 2022 amount to ₩16,219 million and ₩16,219 million, respectively, and lease payments to HITECH Semiconductor (Wuxi) Co., Ltd. and Hystars Semiconductor (Wuxi) Co., Ltd., amount to ₩86,450 million. The right-of-use assets and lease liabilities recognized regarding the lease agreements with other related parties including SK REIT Co., Ltd. and SK Materials Airplus Inc. for the year ended December 31, 2022 amount to ₩255,751 million and ₩326,759 million, respectively, and lease payments to related parties including SK REIT Co., Ltd. and SK Materials Airplus Inc., amount to ₩58,090 million.

(8) The Group provides a payment guarantee amounting to RMB 701 million to Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture (Note 34-(6)).

(9) The establishment of the subsidiary is explained in Note 1, and the acquisitions and additional investments of associates and joint ventures are explained in Note 11.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**33. Transactions with Related Parties and Others, Continued**

(10) Financial transactions with related parties for the years periods ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

		<b>For the year ended December 31, 2022</b>		
	<b>Company</b>	<b>Repayment</b>	<b>Dividend received</b>	<b>Dividend Paid</b>
Joint venture	Hystars Semiconductor (Wuxi) Co., Ltd.	37,356	-	-
	HITECH Semiconductor (Wuxi) Co., Ltd.	-	17,383	-
Associate	Magnus Private Investment Co., Ltd.	-	72,176	-
Other related parties	SK Square Co., Ltd.	-	-	356,484
		<b>₩ 37,356</b>	<b>₩ 89,559</b>	<b>₩ 356,484</b>

(In millions of Korean won)

		<b>For the year ended December 31, 2021</b>		
	<b>Company</b>	<b>Borrowings</b>	<b>Dividend received</b>	<b>Dividend Paid</b>
Joint venture	Hystars Semiconductor (Wuxi) Co., Ltd.	78,819	-	-
	HITECH Semiconductor (Wuxi) Co., Ltd.	-	16,771	-
Associate	SK China Company Limited	-	56,650	-
Other related parties	SK Telecom Co., Ltd.	-	-	170,937
		<b>₩ 78,819</b>	<b>₩ 73,421</b>	<b>₩ 170,937</b>

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 34. Commitments and Contingencies

(1) Significant pending litigations and claims of the Group as of December 31, 2022 are as follows:

(a) Price-fixing class-action lawsuits in North America

On April 27, 2018, a class action lawsuit against the Parent Company and its subsidiary, SK hynix America Inc., for price fixing by major DRAM companies (period from September 1, 2016 to February 1, 2018) was filed with the U.S. District Court for the Northern District of California. Similar class action lawsuits have been filed with the U.S. District Court for the Northern District of California, the Supreme Court of British Columbia, the Quebec District Court, the Ontario Federal and District Court. In December 2020 and September 2021, the U.S. District Court for the Northern District of California ruled dismissal all lawsuits filed by direct purchasers and indirect purchasers in the United States, and the plaintiffs in the United States later filed for an appeal, but all lawsuits in U.S.A have been finalized by maintaining the decision to dismiss from the first trial as of December 31, 2022.

Meanwhile, in June 2021 and November 2021, the Quebec District Court in Canada and the Ontario Federal Court decided to dismiss the lawsuits filed by the group of buyers in Canada, but the plaintiffs later filed for an appeal. Ontario Federal Court of Appeals are still in the progress as of December 31, 2022. The Quebec District Court of Appeals ruled on January 27, 2023, after the end of the reporting period, maintaining the decision to dismiss the first trial, and Quebec plaintiffs can appeal to the Supreme Court of Canada within 60 days.

(b) The antitrust investigation in China

The State Administration for Market Regulation of China initiated to investigate the violation of the antitrust law regarding on primary DRAM businesses' sales in China in May 2018, and the investigation has been started. The pending case currently is under investigation. As of December 31, 2022, the Group cannot predict the outcome of these investigation.

(c) Other patent infringement claims and litigation

In addition to the above litigations, the Group has responded to various disputes related to intellectual property rights and recognizes a liability when it represents a present obligation as a result of past event and it is probable that an outflow of resources will arise and a loss can be reliably estimated.

(2) Back-end process service contract with HITECH Semiconductor (Wuxi) Co., Ltd. ("HITECH")

The Group has entered into an agreement with HITECH to be provided with back-end process service by HITECH. The conditions of the service provided includes package, package test, modules and others. According to the agreement, the Group has paid a certain level of margin guaranteed to HITECH as the Group has priority to use HITECH's equipment.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**34. Commitments and Contingencies, Continued**

(3) Assets provided as collateral

Details of assets provided as collateral as of December 31, 2022 are as follows:  
(In millions of Korean won and millions of foreign currencies)

Category	Book value		Pledged amount		Remark
	Amount	Currency	Amount in USD	Amount in KRW	
Land and buildings	₩ 106,591	USD	72	91,455	Borrowings for equipment and others
Machinery		KRW	-	14,854	
		USD	4,938	6,257,846	
	3,108,547	KRW	-	450,000	
		USD	5,010	6,349,301	
	₩ 3,215,138	KRW	-	464,854	

(In millions of Korean won and millions of foreign currencies)

Category	Book value		Collateral liabilities amount		Remark
	Amount	Currency	Amount in USD	Amount in KRW	
Land and buildings	₩ 106,591	USD	4	5,186	Borrowings for equipment and others
Machinery		KRW	-	4,418	
		USD	2,706	3,429,333	
	3,108,547	KRW	-	333,333	
		USD	2,709	3,434,519	
	₩ 3,215,138	KRW	-	337,751	

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**34. Commitments and Contingencies, Continued**

(4) Financing agreements

Details of credit lines with financial institutions as of December 31, 2022 are as follows:

*(In millions of Korean won and millions of foreign currencies)*

<u>Financial institution</u>	<u>Commitment</u>	<u>Currency</u>	<u>Amount</u>
	Comprehensive limit contract for import and export including usance	RMB	950
		USD	2,185
Hana Bank and others	Overdrafts with banks	KRW	20,000
	Accounts receivable factoring contracts which have no right to recourse	KRW	70,877
	Trade bill loans, etc.	KRW	10,500

(5) Details of guarantees provided to others as of December 31, 2022 are as follows:

*(In millions of foreign currencies)*

	<u>Currency</u>	<u>Amount</u>	<u>Remark</u>
Wuxi Xinfra Group Co., Ltd. <sup>1</sup>	RMB	701	Guarantees for borrowing

<sup>1</sup> The Group provides a payment guarantee to Wuxi Xinfra Group Co., Ltd. for borrowings of Hystars Semiconductor (Wuxi) Co., Ltd., a joint venture of the Group.

(6) The Group's unrecorded commitments in relation to the capital expenditures on property, plant and equipment as of December 31, 2022 are ₩11,695,696 million (as of December 31, 2021: ₩ 13,846,585 million).

(7) Investment in KIOXIA Holdings Corporation ("KIOXIA")

In regard to the Group's interests in KIOXIA through its investments in BCPE Pangea Intermediate holdings Cayman, L.P. and BCPE Pangea Cayman2 Limited, equity shares in KIOXIA owned, directly or indirectly, by the Group are limited to a certain percentage during certain periods after the date of acquisition. In addition, during the same periods, the Group does not have the right in appointing KIOXIA's directors and is unable to exercise significant influence over decision-making for KIOXIA's operations and management.

# SK hynix Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2022 and 2021

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#### 34. Commitments and Contingencies, Continued

##### (8) Acquisition of the Intel NAND business

The Group has entered into a master purchase agreement with Intel Corporation (“Intel”) to acquire the entire NAND business of Intel excluding the Optane division of Non-Volatile Memory Solutions Group during the year ended December 31, 2020. Pursuant to the master purchase agreement, the entire business shall be transferred in two separate processes through subsidiaries that newly established overseas, and payment shall be made in two installments. Total purchase consideration of US\$ 8,844 million shall be paid with the first installment of US\$ 6,109 million which was paid in the prior year ended December 31, 2021 as part of first deal closing and US\$ 500 million was paid during the years period ended December 31, 2022. The second installment of US\$ 2,235 million shall be paid by March 2025. The second deal closing of the business transfer depends on the satisfaction of an agreed upon set of conditions that include regulatory approvals of governmental authorities and the agreed termination fee shall be paid when the contract is terminated under certain circumstances. However, the Group believes that the possibility that the second deal closing will not occur is low.

In the process of obtaining a conditional business combination approval for the Intel NAND business acquisition from the Chinese competition authority (Chinese State Administration for Market Regulation) in connection with the first closing of the Intel NAND business completed at the end of the current year, the Group was imposed with certain conditions, mainly including the obligation to maintain a reasonable pricing policy and increase production and to support the entry of third-party competitors into the Chinese eSSD market over the next five years. Therefore, the Group must comply with these obligations for the next five years and may apply to waive them after five years. If the Group makes such an application, the Chinese competition authorities will decide whether to accept the application in consideration of the competition in the Chinese eSSD market.

##### (9) Contracts for corporate purchasing card

The Group signed contracts for corporate purchasing card with financial institutions for paying national taxes and electricity bills. The Group pays the payment to the credit card companies at the end of the credit period stipulated in the contracts and the balance of the payables to the credit card companies as of December 31, 2022 is ₩1,240,728 million.

(10) On October 7, 2022, the U.S. Department of Commerce Bureau of Industry and Security (BIS) announced new export regulations that strengthen restrictions on exports of high-performance semiconductors to China and semiconductor production equipment exports and semiconductor production activities in China. The Group has actively discussed with the US government for the smooth operation of its semiconductor plants in China, and as a result, on October 11, 2022, the Group has been granted a one-year grace period on this restriction so that it can supply equipment necessary for semiconductor production and development in China.

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**35. Cash Flows**

(1) Reconciliations between profit for the period and cash generated from operations for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Profit for the year</b>	₩ 2,241,669	₩ 9,616,188
<b>Adjustment</b>		
Income tax expense	1,761,111	3,799,799
Defined benefit plan	251,241	252,675
Depreciation	13,045,058	9,536,696
Amortization	779,609	795,933
Depreciation of right-of-use assets	326,803	324,096
Loss on impairment of intangible assets	1,602,182	43,792
Loss on valuation of long-term investment assets	623,923	3,402
Interest expense	533,114	259,960
Loss on foreign currency translation	1,925,382	509,386
Gain on equity method investments, net	(131,186)	(162,280)
Gain on disposal of property, plant and equipment	(137,507)	(71,681)
Gain on disposal of investment property	(64,418)	-
Gain on disposal of short-term investment assets	(62,429)	(48,470)
Gain on valuation of long-term investment assets	(62,305)	(527,811)
Interest income	(89,561)	(22,419)
Gain on foreign currency translation	(868,767)	(448,324)
Others, net	99,686	108,898
<b>Changes in operating assets and liabilities</b>		
Decrease(increase) in trade receivables	3,341,986	(2,525,722)
Increase in loans and other receivables	(92,633)	(2,938)
Increase in inventories	(6,572,069)	(696,559)
Increase in other assets	(232,964)	(194,397)
Increase(decrease) in trade payables	520,956	(197,980)
Increase(decrease) in other payables	(379,662)	374,102
Increase in other non-trade payables	876,906	771,169
Increase in provisions	237,022	6,092
Increase in other liabilities	312,934	90,495
Payment of defined benefit liabilities	(4,528)	(928)
Contributions to plan assets	(697,665)	(641,696)
<b>Cash generated from operating activities</b>	₩ <u>19,083,888</u>	₩ <u>20,951,478</u>

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

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**35. Cash Flows, Continued**

(2) Details of significant transactions without inflows and outflows of cash for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<u>2022</u>	<u>2021</u>
Increase in other payables related to acquisition of property, plant and equipment	₩ 3,426,262 ₩	2,805,789

(3) Changes in liabilities arising from financing activities during the years ended December 31, 2022 and 2021 are as follows:

*(In millions of Korean won)*

	<u>2022</u>	<u>2021</u>
<b>Beginning balance</b>	₩ 19,149,571 ₩	12,895,364
Cash flows from financing activities		
Proceeds from borrowings	11,917,454	8,933,737
Repayments of borrowings	(7,124,565)	(3,320,911)
Payments of lease liabilities	(301,858)	(323,975)
Increase of lease liabilities	566,056	90,469
Others(business combination and foreign currency differences, etc.)	534,030	792,563
Present value discount (interest expense)	63,006	91,784
Interest paid	(12,009)	(9,460)
<b>Ending balance</b>	₩ <u>24,791,685</u> ₩	<u>19,149,571</u>

(4) The Group presented the inflow and outflow of cash from short-term investment assets, etc. which are frequently traded and have a large total amount and mature in a short period of time, as net increases and decreases.

**SK hynix Inc. and Subsidiaries**  
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**36. Share-based Payment**

(1) The Parent Company granted equity-settled share options to the Group's key management during the year ended December 31, 2022 and the details of the share options as of December 31, 2022 are as follows:

(In shares)

	<u>Total numbers of share option granted</u>	<u>Forfeited or Cancelled</u>	<u>Exercised</u>	<u>Outstanding at December 31, 2022</u>
1 <sup>st</sup>	99,600	-	99,600	-
2 <sup>nd</sup>	99,600	-	-	99,600
3 <sup>rd</sup>	99,600	-	-	99,600
4 <sup>th</sup>	7,747	-	7,747	-
5 <sup>th</sup>	7,223	-	-	7,223
6 <sup>th</sup>	8,171	8,171	-	-
7 <sup>th</sup>	61,487	-	-	61,487
8 <sup>th</sup>	61,487	-	-	61,487
9 <sup>th</sup>	61,487	-	-	61,487
10 <sup>th</sup> <sup>2</sup>	54,020	8,994	-	45,026
11 <sup>th</sup>	6,397	-	-	6,397
12 <sup>th</sup>	6,469	-	-	6,469
13 <sup>th</sup> <sup>2</sup>	75,163	24,468	-	50,695
14 <sup>th</sup> <sup>2</sup>	195,460	11,773	-	183,687
	<u>843,911</u>	<u>53,406</u>	<u>107,347</u>	<u>683,158</u>

	<u>Grant date</u>	<u>Service Period for Vesting</u>	<u>Exercisable Period</u>	<u>Exercise price (in Korean won)</u>
1 <sup>st</sup>	March 24, 2017	March 24, 2017 - March 24, 2019	March 25, 2019 - March 24, 2022	48,400
2 <sup>nd</sup>	March 24, 2017	March 24, 2017 - March 24, 2020	March 25, 2020 - March 24, 2023	52,280
3 <sup>rd</sup>	March 24, 2017	March 24, 2017 - March 24, 2021	March 25, 2021 - March 24, 2024	56,460
4 <sup>th</sup>	January 1, 2018	January 1, 2018 - December 31, 2019	January 1, 2020 - December 31, 2022	77,440
5 <sup>th</sup>	March 28, 2018	March 28, 2018 - March 28, 2020	March 29, 2020 - March 28, 2023	83,060
6 <sup>th</sup>	February 28, 2019	February 28, 2019 - February 28, 2021	March 1, 2021 - February 29, 2024	73,430
7 <sup>th</sup>	March 22, 2019	March 22, 2019 - March 22, 2021	March 23, 2022 - March 22, 2025	71,560
8 <sup>th</sup>	March 22, 2019	March 22, 2019 - March 22, 2021	March 23, 2023 - March 22, 2026	77,290
9 <sup>th</sup>	March 22, 2019	March 22, 2019 - March 22, 2023	March 23, 2023 - March 22, 2027	83,470
10 <sup>th</sup> <sup>2</sup>	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730
11 <sup>th</sup>	March 20, 2020	March 20, 2020 - March 20, 2023	March 21, 2023 - March 20, 2027	84,730
12 <sup>th</sup>	March 30, 2021	March 30, 2021 - March 30, 2023	March 31, 2023 - March 30, 2026	136,060
13 <sup>th</sup> <sup>2</sup>	March 30, 2021	March 30, 2021 - March 30, 2023	March 31, 2023 - March 30, 2026	136,060
14 <sup>th</sup> <sup>2</sup>	March 30, 2022	March 30, 2022 - March 30, 2024	March 31, 2024 - March 30, 2027	121,610

<sup>1</sup> During the year ended December 31, 2022, the share options were exercised as cash-settled share-based payment.

<sup>2</sup> During the year ended December 31, 2022, 45,235 shares of options have forfeited.

<sup>3</sup> In addition to above share options granted by the controlling company, SK hynix NAND Product Solutions Corp., its subsidiary and its employee, also granted restricted stock units (RSUs) to its employees as below.

<u>Grant cycle</u>	<u>Current period grant quantity</u>	<u>Current year exercise quantity</u>
Quarterly	41,828,899	1,878,280

**SK hynix Inc. and Subsidiaries**  
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**36. Share-based Payment, Continued**

(2) Details of liabilities recognized for stock appreciation rights as of December 31, 2022 are as follows:

(In millions of Korean won)

	<b>2022</b>
Stock appreciation rights liabilities	₩ 36,104

As of December 31, 2022, the intrinsic value of vested stock appreciation rights is amounting to ₩4,321 million, and stock appreciation rights liabilities include RSU for the subsidiaries' shares amount to ₩24,203 million.

(3) Measurement of fair value

The compensation cost is calculated by applying a binomial option-pricing model in estimating the fair value of the option at each grant date. The inputs used are as follows:

	<u>2<sup>nd</sup></u>	<u>3<sup>rd</sup></u>	<u>5<sup>th</sup></u>	<u>7<sup>th</sup></u>	<u>8<sup>th</sup></u>	<u>9<sup>th</sup></u>
Share price (Closing price on valuation date)	85,000	85,000	85,000	85,000	85,000	85,000
Expected volatility	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
Estimated fair value of share option (in Korean won)	32,745	30,363	7,479	19,868	20,275	20,577
Dividend yield ratio	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Risk free ratio	3.51%	3.77%	3.55%	3.77%	3.69%	3.74%
	<u>10<sup>th</sup></u>	<u>11<sup>th</sup></u>	<u>12<sup>th</sup></u>	<u>13<sup>th</sup></u>	<u>14<sup>th</sup></u>	
Share price (Closing price on valuation date)	85,000	85,000	85,000	85,000	85,000	
Expected volatility	33.00%	33.00%	33.00%	33.00%	33.00%	
Estimated fair value of share option (in Korean won)	22,449	22,449	8,162	8,162	13,065	
Dividend yield ratio	1.80%	1.80%	1.80%	1.80%	1.80%	
Risk free ratio	3.75%	3.75%	3.75%	3.75%	3.75%	

(4) The compensation expense for the year ended December 31, 2022 was ₩39,762million (2021: ₩2,491 million).

**SK hynix Inc. and Subsidiaries**  
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**37. Business Combinations**

(1) Details of business combinations during the year ended December 31, 2022 are as follows:

(a) The Group entered into a share purchase agreement with Magnus Semiconductor, LLC to acquire 100% shares of Key Foundry Co., Ltd. on October 29, 2021. During the year ended December 31, 2022, all the prerequisites set in the contract were satisfied including relevant governments approval that must be obtained in accordance with relevant laws for approval of domestic and foreign business combinations. Accordingly, the deal was closed on August 2, 2022, and the Group has completed the acquisition of all of Key Foundry Co., Ltd.'s outstanding stocks.

(b) Details of consideration transferred and identifiable assets acquired and liabilities assumed as of acquisition date are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>
<b>Consideration transferred</b>	₩
Cash and cash equivalents	569,800
	<u>569,800</u>
<b>Identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	144,612
Trade receivables, net	122,349
Inventories	78,418
Property, plant and equipment	343,923
Intangible assets	145,910
Other assets	23,668
Other liabilities	340,356
<b>Identifiable net assets</b>	<u>518,524</u>
<b>Goodwill</b>	₩ <u>51,276</u>

(2) Profit or loss before the acquisition

Total revenue and operating profit of Key Foundry Co., Ltd., for the periods from the acquisition date to December 31, 2022 included in the consolidated financial statements for the current year were ₩369,084 million and ₩73,136 million, respectively.

If the acquisition of Key Foundry Co., Ltd. had been completed on January 1, 2022, the Group's revenue and net income for the year would have been ₩45,093,564 million and ₩2,345,950 million, respectively

**SK hynix Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2022 and 2021**

**37. Business Combinations, Continued**

(3) Acquisition of the Intel NAND business

(a) The Group has entered into a master purchase agreement to acquire the Intel NAND business during the previous year and, under the terms and conditions of the agreement, certain part of the business was transferred to the Group upon the first deal closing consummated on December 29, 2021. The remainder part of the business (“the remainder business”) will be transferred to the Group upon the second deal closing expected to occur in March 2025. Therefore, as of the end of the reporting period, Intel Corporation, the seller, continues to hold legal ownership of the remainder business expected to be transferred to the Group upon the second deal closing, and the Group will acquire relevant legal ownership then. Meanwhile, the Group determined that it has control over the remainder business as well as the other business already obtained legal ownership upon first closing because it has the power to direct relevant activities of the remainder business and is exposed to variable returns, so the remainder business is included in the assets acquired and liabilities assumed by the Group during the prior year together with the other part of business transferred to the Group upon the first deal closing. Therefore, the purchase consideration scheduled to be paid in connection with the second closing is recognized as liability on the consolidated statements of financial position as at December 31, 2021.

(b) Details of provisional fair value of identifiable assets and liabilities recognized in the previous year and finalized fair value amounts assessed during the current year and adjusted retrospectively as of acquisition date are as follows:

(In millions of Korean won)

	<u>Provisional Amounts</u>	<u>Adjustments</u>	<u>Adjusted Amounts</u>
<b>Consideration transferred</b>			
Cash and cash equivalents	₩ 7,250,087	-	₩ 7,250,087
Other payables	713,977	(38,042)	675,935
Long-term other payables	2,448,370	(5,775)	2,442,595
	<u>10,412,434</u>	<u>(43,817)</u>	<u>10,368,617</u>
<b>Identifiable assets acquired and liabilities assumed<sup>1</sup></b>			
Inventories	1,952,385	33,516	1,985,901
Property, plant and equipment	6,852,840	191,591	7,044,431
Intangible assets	727,973	(284,763)	443,210
Other assets	110,672	(901)	109,771
Other liabilities	(61,046)	218	(60,828)
<b>Identifiable net assets</b>	<u>9,582,824</u>	<u>(60,339)</u>	<u>9,522,485</u>
<b>Goodwill</b>	₩ <u>829,610</u>	<u>16,522</u>	₩ <u>846,132</u>

<sup>1</sup> Initial accounting for business combinations was not completed by the end of December 31, 2021, and provisional amounts were reported in the consolidated financial statements for the year ended December 31, 2021. During the year ended December 31, 2022, the provisional amount recognized at the acquisition date was adjusted retrospectively and adjusted assets and liabilities were recognized based on newly obtained information about facts and circumstances that existed as of the acquisition date. The prior year consolidated financial statements presented for comparison purpose are restated to reflect these adjustments.