

SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

March 31, 2019 and 2018

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders
SK Telecom Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the "Company"), which comprise the condensed separate statement of financial position as of March 31, 2019, the condensed separate statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034, *Interim Financial Reporting*, and for such internal controls as management determines is necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements referred to above are not prepared fairly, in all material respects, in accordance with K-IFRS No.1034, *Interim Financial Reporting*.

Emphasis of matter

As a matter that does not have an impact on our review conclusion, we draw the attention of the users of the above-mentioned financial statements of the Company to the matter described in Note 3 to the condensed separate financial statements. The Company has initially adopted K-IFRS No.1116 for the year beginning on January 1, 2019, and the Company has taken an exemption not to restate the condensed separate financial statements as of December 31, 2018 or for the three-month period ended March 31, 2018, presented for comparative purposes, in accordance with transition requirements of the standards. The financial impacts of applying K-IFRS No. 1116 are discussed in Note 3.

Other matters

The separate statement of financial position of the Company as of December 31, 2018, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 28, 2019, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2018, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

The procedures and practices utilized in the Republic of Korea to review such condensed separate interim financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
May 13, 2019

<p>This report is effective as of May 13, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>

SK TELECOM CO., LTD.
Condensed Separate Statements of Financial Position

As of March 31, 2019 and December 31, 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Assets			
Current Assets:			
Cash and cash equivalents	25,26 ₩	854,972	877,823
Short-term financial instruments	25,26	139,000	99,000
Short-term investment securities	7,25,26	47,955	47,849
Accounts receivable – trade, net	4,25,26,27	1,335,692	1,354,260
Short-term loans, net	4,25,26,27	67,647	54,336
Accounts receivable – other, net	3,4,25,26,27,28	1,049,197	518,451
Contract assets	6	1,689	1,689
Prepaid expenses	3,5	1,613,395	1,688,234
Inventories, net		21,199	22,079
Derivative financial assets	25,26	14,985	-
Advanced payments and others	4,25,26	24,727	15,657
		<u>5,170,458</u>	<u>4,679,378</u>
Non-Current Assets:			
Long-term financial instruments	25,26	382	382
Long-term investment securities	7,25,26	413,313	410,672
Investments in subsidiaries, associates and joint ventures	8	10,367,135	10,188,914
Property and equipment, net	3,9,27	7,298,059	6,943,490
Goodwill		1,306,236	1,306,236
Intangible assets, net	3,10	3,843,855	4,010,864
Long-term loans, net	4,25,26,27	7,360	7,236
Long-term accounts receivable – other	3,4,25,26,28	287,002	274,053
Long-term contract assets	6	5,419	5,842
Long-term prepaid expenses	3,5	738,249	753,181
Guarantee deposits	4,25,26,27	188,471	184,887
Long-term derivative financial assets	25,26	70,582	50,805
Defined benefit assets	14	22,651	31,834
Other non-current assets		248	249
		<u>24,548,962</u>	<u>24,168,645</u>
Total Assets	₩	<u>29,719,420</u>	<u>28,848,023</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Condensed Separate Statements of Financial Position, Continued

As of March 31, 2019 and December 31, 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable – other	25,26,27 ₩	2,177,786	1,622,744
Contract liabilities	6	55,260	46,075
Withholdings	25,26	681,794	696,790
Accrued expenses	25,26	517,047	664,286
Income tax payable	23	270,452	162,609
Provisions	13	47,875	49,303
Current installments of long-term debt, net	11,25,26	783,886	512,377
Lease liabilities	3,25,26	200,413	-
Current installments of long-term payables – other	12,25,26	418,739	423,884
		<u>5,153,252</u>	<u>4,178,068</u>
Non-Current Liabilities:			
Debentures, excluding current installments, net	11,25,26	5,304,795	5,222,865
Long-term borrowings, excluding current installments, net	11,25,26	32,324	31,764
Long-term payables – other	12,25,26	1,527,606	1,939,082
Long-term contract liabilities	6	6,288	8,358
Long-term derivative financial liabilities	25,26	24	1,107
Long-term lease liabilities	3,25,26	232,825	-
Long-term provisions	13	15,215	12,483
Deferred tax liabilities	3,23	539,603	523,732
Other non-current liabilities	25,26	43,415	43,077
		<u>7,702,095</u>	<u>7,782,468</u>
Total Liabilities		<u>12,855,347</u>	<u>11,960,536</u>
Shareholders' Equity:			
Share capital	1,15	44,639	44,639
Capital surplus and others	15,16	415,411	415,324
Retained earnings	3,17	16,433,106	16,467,789
Reserves	18	(29,083)	(40,265)
Total Shareholders' Equity		<u>16,864,073</u>	<u>16,887,487</u>
Total Liabilities and Shareholders' Equity	₩	<u>29,719,420</u>	<u>28,848,023</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Condensed Separate Statements of Income

For the three-month periods ended March 31, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Operating revenue:	19,27		
Revenue	₩	2,812,208	2,988,538
Operating expenses:	27		
Labor		190,062	175,027
Commissions		1,076,508	1,132,942
Depreciation and amortization	3	625,924	600,719
Network interconnection		140,360	162,603
Leased line		52,161	70,539
Advertising		21,059	25,998
Rent		55,171	111,406
Cost of goods sold		107,567	123,168
Others	20	237,661	216,879
		<u>2,506,473</u>	<u>2,619,281</u>
Operating profit		305,735	369,257
Finance income	22	524,070	181,288
Finance costs	3,22	65,670	67,016
Other non-operating income	21	3,692	12,125
Other non-operating expenses	21	6,195	18,178
Profit before income tax		761,632	477,476
Income tax expense	23	117,639	113,049
Profit for the period	₩	643,993	364,427
Earnings per share:	24		
Basic and diluted earnings per share (in won)	₩	<u>8,909</u>	<u>5,161</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Condensed Separate Statements of Comprehensive Income

For the three-month periods ended March 31, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Profit for the period	₩	643,993	364,427
Other comprehensive income (loss):			
Items that will never be reclassified to profit or loss, net of taxes:			
Remeasurement of defined benefit liabilities	14	(2,157)	(7,068)
Valuation gain (loss) on financial assets at fair value through other comprehensive income	18	1,565	(20,139)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:			
Net change in unrealized fair value of derivatives	18	9,617	(9,025)
Other comprehensive income (loss) for the period, net of taxes		9,025	(36,232)
Total comprehensive income	₩	653,018	328,195

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Condensed Separate Statements of Changes in Equity

For the three-month periods ended March 31, 2019 and 2018

(In millions of won)

	Note	Capital surplus and others						Sub-total	Retained earnings	Reserves	Total equity
		Share capital	Paid-in surplus	Treasury share	Hybrid bonds	Share option	Other				
Balance, December 31, 2017		₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,391
Impact of adopting K-IFRS No. 1115		-	-	-	-	-	-	-	1,723,985	-	1,723,985
Impact of adopting K-IFRS No. 1109		-	-	-	-	-	-	-	49,611	(58,389)	(8,778)
Restated balance, January 1, 2018		₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	16,286,152	19,912	16,722,598
Total comprehensive income:											
Profit for the period		-	-	-	-	-	-	-	364,427	-	364,427
Other comprehensive loss	14,18	-	-	-	-	-	-	-	(7,068)	(29,164)	(36,232)
		-	-	-	-	-	-	-	357,359	(29,164)	328,195
Transactions with owners:											
Annual dividends		-	-	-	-	-	-	-	(635,482)	-	(635,482)
Share option	16	-	-	-	-	139	-	139	-	-	139
		-	-	-	-	139	-	139	(635,482)	-	(635,343)
Balance, March 31, 2018		₩ 44,639	2,915,887	(2,260,626)	398,518	553	(682,298)	372,034	16,008,029	(9,252)	16,415,450
Balance, December 31, 2018		₩ 44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,467,789	(40,265)	16,887,487
Impact of adopting K-IFRS No. 1116	3	-	-	-	-	-	-	-	(25,999)	-	(25,999)
Restated balance, January 1, 2019		₩ 44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,441,790	(40,265)	16,861,488
Total comprehensive income:											
Profit for the period		-	-	-	-	-	-	-	643,993	-	643,993
Other comprehensive income (loss)	14,18	-	-	-	-	-	-	-	(2,157)	11,182	9,025
		-	-	-	-	-	-	-	641,836	11,182	653,018
Transactions with owners:											
Annual dividends		-	-	-	-	-	-	-	(646,828)	-	(646,828)
Share option	16	-	-	-	-	87	-	87	-	-	87
Interest on hybrid bonds		-	-	-	-	-	-	-	(3,692)	-	(3,692)
		-	-	-	-	87	-	87	(650,520)	-	(650,433)
Balance, March 31, 2019		₩ 44,639	2,915,887	(1,979,475)	398,759	1,094	(920,854)	415,411	16,433,106	(29,083)	16,864,073

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Condensed Separate Statements of Cash Flows

For the three-month periods ended March 31, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period	₩	643,993	364,427
Adjustments for income and expenses	29	342,137	650,734
Changes in assets and liabilities related to operating activities	29	<u>(101,145)</u>	<u>(27,161)</u>
		884,985	988,000
Interest received		5,571	9,674
Dividends received		9,293	7,766
Interest paid		(67,444)	(56,360)
Income tax paid		<u>(626)</u>	<u>(13,719)</u>
Net cash provided by operating activities		<u>831,779</u>	<u>935,361</u>
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term investment securities, net		-	9,500
Collection of short-term loans		24,656	49,889
Proceeds from disposal of long-term investment securities		-	3,051
Proceeds from disposal of property and equipment		3,309	630
Proceeds from disposal of intangible assets		1,906	23
Collection of lease receivables		<u>2,812</u>	<u>-</u>
		32,683	63,093
Cash outflows for investing activities:			
Increase in short-term investment securities, net		(40,000)	-
Increase in short-term loans		(38,226)	(65,201)
Acquisition of long-term investment securities		(604)	-
Acquisition of investments in subsidiaries, associates, and joint ventures		(159,181)	(33,692)
Acquisition of property and equipment		(487,286)	(474,765)
Acquisition of intangible assets		<u>(2,387)</u>	<u>(4,359)</u>
		<u>(727,684)</u>	<u>(578,017)</u>
Net cash used in investing activities	₩	<u>(695,001)</u>	<u>(514,924)</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from issuance of debentures	₩	398,345	497,975
		<u>398,345</u>	<u>497,975</u>
Cash outflows for financing activities:			
Repayments of long-term payables – other		(425,349)	(302,867)
Repayments of debentures		(70,000)	(200,000)
Payments of lease liabilities		(62,639)	-
		<u>(557,988)</u>	<u>(502,867)</u>
Net cash used in financing activities		<u>(159,643)</u>	<u>(4,892)</u>
Net increase (decrease) in cash and cash equivalents		(22,865)	415,545
Cash and cash equivalents at beginning of the period		877,823	880,583
Effects of exchange rate changes on cash and cash equivalents		14	(21)
Cash and cash equivalents at end of the period	₩	<u>854,972</u>	<u>1,296,107</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

1. Reporting Entity

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

The Company’s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of March 31, 2019, the Company’s total issued shares are held by the following shareholders:

	<u>Number of shares</u>	<u>Percentage of total shares issued (%)</u>
SK Holdings Co., Ltd.	21,624,120	26.78
National Pension Service, institutional investors and other shareholders	50,245,708	62.23
Treasury shares	<u>8,875,883</u>	<u>10.99</u>
	<u>80,745,711</u>	<u>100.00</u>

2. Basis of Preparation

(1) Statement of compliance

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Company’s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since December 31, 2018. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, *Separate Financial Statements*, presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

This is the first set of the Company’s interim financial statements in which K-IFRS No.1116, *Leases*, has been applied. Changes to significant accounting policies are described in note 3.

(2) Use of estimates and judgments

1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2018 except significant judgments and key sources of estimation uncertainty related to the K-IFRS No. 1116, *Leases*, that are described in note 3.

For the three-month periods ended March 31, 2019 and 2018

2. Basis of Preparation, Continued

(2) Use of estimates and judgments, Continued

2) Fair value measurement

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

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

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

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

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

Information about assumptions used for fair value measurements are included in note 26.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

3. Significant Accounting Policies

The significant accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2018, except for the following changes in accounting policies described below. The following changes in accounting policies are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2019.

(1) Changes in accounting policies

The Company has initially adopted K-IFRS No. 1116 from January 1, 2019. A number of other amended standards are effective from January 1, 2019, but they do not have a material effect on the Company's condensed separate interim financial statements.

1) K-IFRS No. 1116, *Leases*

K-IFRS No. 1116 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation on make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied K-IFRS No. 1116 from January 1, 2019 using the cumulative effect method with the effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at January 1, 2019. Accordingly, the comparative information presented for 2018 has been presented, as previously reported, under K-IFRS No. 1017 and has not been restated. Details of the changes in accounting policies are disclosed below.

i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under K-IFRS No. 2104, *Determining Whether an Arrangement an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. 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.

ii) As a lessee

The Company leases a number of assets including buildings and vehicles. The terms of leases are negotiated individually and include various conditions. Each lease contract is entered into with a term of 1~50 years.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS No. 1116, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on the statements of financial position.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases with terms less than 12 months or leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant Accounting Policies, Continued

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

(1) Changes in accounting policies, Continued

1) K-IFRS No. 1116, *Leases*, Continued

ii) As a lessee, Continued

The Company has also elected to apply the practical expedient not to separate non-leases components and instead account for the lease and non-lease components as a single lease component.

① Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The Company presents its right-of-use assets in Property and equipment on the statements of financial position.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include extension options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. The Company has not included the extension option periods in the lease term because it is not reasonably certain to exercise such options. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Company that affects whether the Company is reasonably certain to exercise the extension option.

3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

1) K-IFRS No. 1116, *Leases*, Continued

ii) As a lessee, Continued

② Transition

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. Right-of-used assets are measured at their carrying amounts as if K-IFRS No. 1116 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company used the following practical expedients when applying K-IFRS No. 1116 to leases previously classified as operating leases under K-IFRS No. 1017.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii) As a lessor

The accounting policies applicable to the Company as a lessor are not different from those under K-IFRS No. 1017. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

iv) Impacts on financial statements

① Impacts on transition

On transition to K-IFRS No. 1116, the Company recognized right-of-use assets and lease liabilities, with the difference recognized in retained earnings. The impacts on transition are summarized below.

(In millions of won)

	January 1, 2019
Impacts on the assets:	
Right-of-use assets presented in property and equipment	₩ 433,074
Increase in accounts receivable – other (lease receivable)	17,203
Adjustments in intangible assets	(2,274)
Decrease in advanced payments and others	(56,854)
	391,149
Impacts on the liabilities:	
Increase in the lease liabilities	426,737
Decrease in deferred tax liabilities	(9,589)
	417,148
Decrease in retained earnings	₩ (25,999)

3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

1) K-IFRS No. 1116, *Leases*, Continued

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iv) Impacts on financial statements, Continued

① Impacts on transition, Continued

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 1.86%.

(In millions of won)

	<u>January 1, 2019</u>
Operating lease commitments at December 31, 2018	₩ 442,473
Discounted using the incremental borrowing rate at January 1, 2019	433,471
- Recognition exemption for leases with less than 12 months of lease term at the lease commencement date	(6,617)
- Recognition exemption for leases of low-value assets	(117)
Lease liabilities recognized at January 1, 2019	<u>₩ 426,737</u>

② Impacts subsequent to adoption

As a result of initially applying K-IFRS No. 1116, in relation to the leases that were previously classified as operating leases the Company recognized ₩429,682 million of right-of-use assets and ₩433,238 million of lease liabilities as of March 31, 2019.

Also, in relation to those leases under K-IFRS No. 1116, the Company has recognized depreciation and interest costs, instead of operating lease expense. For the three-month period ended March 31, 2019, the Company recognized ₩64,538 million of depreciation charges and ₩1,982 million of interest costs from those leases. Expenses related to short-term leases and leases of low-value assets are ₩23,833 million and ₩62 million, respectively.

The payments of lease liabilities presented in the cash flows from financing activities would have been included in the cash flows from operating activities if the previous accounting standards were applied.

4. Trade and Other Receivables

(1) Details of trade and other receivables as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

<u>March 31, 2019</u>		
<u>Gross amount</u>	<u>Loss allowance</u>	<u>Carrying amount</u>

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Current assets:

Accounts receivable – trade	₩	1,461,524	(125,832)	1,335,692
Short-term loans		68,330	(683)	67,647
Accounts receivable – other(*)		1,100,533	(51,336)	1,049,197
Accrued income		593	-	593
		<u>2,630,980</u>	<u>(177,851)</u>	<u>2,453,129</u>

Non-current assets:

Long-term loans		48,469	(41,109)	7,360
Long-term accounts receivable – other(*)		287,002	-	287,002
Guarantee deposits		188,471	-	188,471
		<u>523,942</u>	<u>(41,109)</u>	<u>482,833</u>
	₩	<u>3,154,922</u>	<u>(218,960)</u>	<u>2,935,962</u>

(*) Gross and carrying amounts of accounts receivable – other as of March 31, 2019 include ₩495,218 million of financial instruments classified as FVTPL.

(In millions of won)

December 31, 2018

		<u>Gross amount</u>	<u>Loss allowance</u>	<u>Carrying amount</u>
Current assets:				
Accounts receivable – trade	₩	1,474,102	(119,842)	1,354,260
Short-term loans		54,885	(549)	54,336
Accounts receivable – other(*)		568,878	(50,427)	518,451
Accrued income		410	-	410
		<u>2,098,275</u>	<u>(170,818)</u>	<u>1,927,457</u>
Non-current assets:				
Long-term loans		48,344	(41,108)	7,236
Long-term accounts receivable – other(*)		274,053	-	274,053
Guarantee deposits		184,887	-	184,887
		<u>507,284</u>	<u>(41,108)</u>	<u>466,176</u>
	₩	<u>2,605,559</u>	<u>(211,926)</u>	<u>2,393,633</u>

(*) Gross and carrying amounts of accounts receivable – other as of December 31, 2018 include ₩485,325 million of financial instruments classified as FVTPL.

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4. Trade and Other Receivables, Continued

(2) Changes in the loss allowance on trade and other receivables measured at amortized costs for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>January 1, 2019</u>	<u>Impairment</u>	<u>Write-offs (*)</u>	<u>Collection of receivables previously written-off</u>	<u>March 31, 2019</u>
Accounts receivable – trade	₩ 119,842	4,327	(819)	2,482	125,832
Accounts receivable – other	92,084	737	(63)	370	93,128
	<u>₩ 211,926</u>	<u>5,064</u>	<u>(882)</u>	<u>2,852</u>	<u>218,960</u>

(In millions of won)

	<u>January 1, 2018</u>	<u>Impact of adopting K-IFRS No. 1109</u>	<u>Impairment</u>	<u>Write-offs (*)</u>	<u>Collection of receivables previously written-off</u>	<u>March 31, 2018</u>
Accounts receivable – trade	₩ 107,827	12,950	4,486	(203)	2,982	128,042
Accounts receivable – other	97,547	99	723	(558)	939	98,750
	<u>₩ 205,374</u>	<u>13,049</u>	<u>5,209</u>	<u>(761)</u>	<u>3,921</u>	<u>226,792</u>

(*) The Company writes off the trade and other receivables when contractual payments are more than 5 years past due, or for reasons such as termination of operations or liquidation.

(3) The Company applies the practical expedient that allows the Company to estimate the loss allowance for accounts receivables - trade at an amount equal to the lifetime expected credit losses. The expected credit losses include the forward-looking information. To make the assessment, the Company uses its historical credit loss experience over the past three years and classified the accounts receivable - trade by their credit risk characteristics and days overdue.

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

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Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

5. Prepaid expenses

(1) Details of prepaid expenses as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current assets:		
Incremental costs of obtaining contracts	₩ 1,552,300	1,574,309
Others	61,095	113,925
	<u>₩ 1,613,395</u>	<u>1,688,234</u>
Non-current assets:		
Incremental costs of obtaining contracts	₩ 711,331	724,233
Others	26,918	28,948
	<u>₩ 738,249</u>	<u>753,181</u>

(2) Incremental costs of obtaining contracts

Incremental costs of obtaining contracts that are capitalized as assets as of March 31, 2019 and the related amortization recognized as commissions for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>For the three-month period ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Amortization recognized as commissions	₩ 505,314	537,969

The Company pays commissions to its direct retail stores and authorized dealers for wireless telecommunications services for each service contract and installation contract secured. The Company capitalized certain costs associated with commissions paid to retail stores and authorized dealers to obtain new and retained customer contracts as prepaid expenses. These prepaid expenses are amortized on a straight-line basis over the periods that the Company expects to maintain its customers based on the Company's historical subscriber churn rate.

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6. Contract assets and liabilities

Details of contract assets and liabilities as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Contract assets:		
Allocation of consideration between performance obligations	₩ 7,108	7,531
Contract liabilities:		
Wireless service contracts	18,623	18,425
Customer loyalty programs	21,879	17,113
Others	21,046	18,895
	<u>₩ 61,548</u>	<u>54,433</u>

The amount of revenue recognized for the three-month period ended March 31, 2019 related to the contract liabilities carried forward from the prior period is ₩11,348 million.

7. Investment Securities

(1) Details of short-term investment securities as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>Category</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Beneficiary certificates	FVTPL	₩ 47,955	47,849

(2) Details of long-term investment securities as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>Category</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments	FVOCI (*)	₩ 335,299	333,161
Debt instruments	FVTPL	78,014	77,511
		<u>₩ 413,313</u>	<u>410,672</u>

(*) The Company designated ₩335,299 million of equity instruments that are not held for trading as financial assets at FVOCI.

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8. Investments in Subsidiaries, Associates and Joint Ventures

(1) Investments in subsidiaries, associates and joint ventures as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Investments in subsidiaries	₩ 5,338,592	5,286,601
Investments in associates and joint ventures	5,028,543	4,902,313
	<u>₩ 10,367,135</u>	<u>10,188,914</u>

(2) Details of investments in subsidiaries as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Number of shares</u>	<u>Ownership (%)</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
SK Telink Co., Ltd.	1,432,627	100.0	₩ 243,988	243,988
SK Broadband Co., Ltd.	298,460,212	100.0	1,870,582	1,870,582
SK Communications Co., Ltd.	43,427,530	100.0	69,668	69,668
PS&Marketing Corporation	66,000,000	100.0	313,934	313,934
SERVICEACE Co., Ltd.	4,385,400	100.0	21,927	21,927
SK Planet Co., Ltd.	69,593,562	98.7	404,833	404,833
Eleven Street Co., Ltd.	8,224,709	80.3	1,049,403	1,049,403
DREAMUS COMPANY (Formerly, IRIVER LIMITED) (*1)	29,246,387	52.4	156,642	156,642
SK Telecom China Holdings Co., Ltd.	-	100.0	48,096	48,096
Life & Security Holdings Co., Ltd.	740,895	55.0	703,394	703,736
SKT Americas, Inc.	122	100.0	45,701	45,701
Atlas Investment	-	100.0	100,616	99,874
SK Global Healthcare Business Group., Ltd.	-	100.0	1,929	1,929
One Store Co., Ltd.	10,409,600	65.5	82,186	82,186
id Quantique SA (*2)	60,824,172	63.9	81,902	81,902
SK Infosec Co., Ltd.	12,636,024	100.0	44,410	44,410
SK Telecom TMT Investment Corp. (*3)	30,000	100.0	33,834	-
FSK L&S Co., Ltd. (*4)	2,415,750	60.0	17,757	-
Network O&S Co., Ltd., etc.	-	-	47,790	47,790
			<u>₩ 5,338,592</u>	<u>5,286,601</u>

(*1) The ownership has changed due to the conversion of the convertible bonds issued by DREAMUS COMPANY (Formerly, IRIVER LIMITED) during the three-month period ended March 31, 2019.

(*2) The ownership has changed due to an unequal paid-in capital increase during the three-month period ended March 31, 2019.

(*3) SK Telecom TMT Investment Corp. was newly established during the three-month period ended March 31, 2019.

(*4) FSK L&S Co., Ltd. was reclassified as investments in subsidiaries from investments in associates during the three-month period ended March 31, 2019.

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8. Investments in Subsidiaries, Associates and Joint Ventures, Continued

(3) Details of investments in associates and joint ventures as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

	March 31, 2019		December 31, 2018	
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
Investments in associates:				
SK China Company Ltd.	10,928,921	27.3	₩ 601,192	601,192
Korea IT Fund (*1)	190	63.3	220,957	220,957
Wave City Development Co., Ltd. (*2)	393,460	19.1	1,532	1,532
KEB HanaCard Co., Ltd. (*2)	39,902,323	15.0	253,739	253,739
Daehan Kanggun BcN Co., Ltd.	1,675,124	29.0	353	353
NanoEnTek, Inc.	7,600,649	28.9	51,138	51,138
SK Technology Innovation Company	14,700	49.0	45,864	45,864
SK hynix Inc.	146,100,000	20.1	3,374,725	3,374,725
SK MENA Investment B.V.	9,772,686	32.1	14,485	14,485
SK Latin America Investment S.A.	9,448,937	32.1	14,243	14,243
S.M.Culture & Contents Co., Ltd.	22,033,898	23.4	65,341	65,341
12CM Japan, Inc.	3,925	28.2	7,697	7,697
MAKEUS Corp. (*2)	2,153	8.9	9,773	9,773
SK South East Asia Investment Pte. Ltd. (*3)	200,000,000	20.0	224,470	111,000
Pacific Telecom Inc. (*2)	1,734,109	15.0	36,487	36,487
Grab Geo Holdings PTE. LTD. (*4)	300	30.0	30,517	-
Health Connect Co., Ltd. and others	-	-	51,450	69,207
			₩ 5,003,963	4,877,733
Investment in a joint venture:				
Finnq Co., Ltd. (*5)	4,900,000	49.0	₩ 24,580	24,580
			₩ 5,028,543	4,902,313

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

(*2) These investments were classified as investments in associates as the Company can exercise significant influence through its right to appoint the members of board of directors even though the Company has less than 20% of equity interests.

(*3) The Company invested ₩113,470 million in cash in SK South East Asia Investment Pte. Ltd. for the three-month period ended March 31, 2019.

(*4) The Company jointly established Grab Geo Holdings PTE. LTD. by investing ₩11,201 million in cash and ₩19,039 million in exchange of assets for the three-month period ended March 31, 2019.

(*5) This investment was classified as investment in a joint venture as the Company has joint control pursuant to the agreement with the other shareholders.

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8. Investments in Subsidiaries, Associates and Joint Ventures, Continued

(4) The market value of investments in listed subsidiaries as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

		March 31, 2019			December 31, 2018		
		Market price per share (in won)	Number of shares	Market value	Market price per share (in won)	Number of shares	Market value
DREAMUS COMPANY (Formerly, RIVER LIMITED)	₩	9,150	29,246,387	267,604	6,760	29,246,387	197,706

(5) The market value of investments in listed associates as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

		March 31, 2019			December 31, 2018		
		Market price per share (in won)	Number of shares	Market value	Market price per share (in won)	Number of shares	Market value
NanoEnTek, Inc.	₩	5,440	7,600,649	41,348	4,235	7,600,649	32,189
SK hynix Inc.		74,200	146,100,000	10,840,620	60,500	146,100,000	8,839,050
S.M.Culture & Contents Co., Ltd.		2,000	22,033,898	44,068	2,020	22,033,898	44,508

9. Property and Equipment

(1) Details of the changes in property and equipment for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

		For the three-month period ended March 31, 2019						
		Beginning balance	Impact of adopting K-IFRS No. 1116	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩	544,419	-	18	-	-	-	544,437
Buildings		537,000	-	79	(433)	8,519	(9,448)	535,717
Structures		355,739	-	-	-	844	(8,925)	347,658
Machinery		4,382,375	-	4,190	(43)	165,843	(384,194)	4,168,171
Right-of-use assets		-	433,074	84,160	(23,014)	-	(64,538)	429,682
Other		617,837	-	290,032	(477)	(369,712)	(24,442)	513,238
Construction in progress		506,120	-	36,128	-	216,908	-	759,156
	₩	<u>6,943,490</u>	<u>433,074</u>	<u>414,607</u>	<u>(23,967)</u>	<u>22,402</u>	<u>(491,547)</u>	<u>7,298,059</u>

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9. Property and Equipment, Continued

(1) Details of the changes in property and equipment for the three-month periods ended March 31, 2019 and 2018 are as follows, Continued:

(In millions of won)

	For the three-month period ended March 31, 2018						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation		
Land	₩ 525,572	74	(13)	1,823	-		527,456
Buildings	546,872	73	(4)	14,927	(9,258)		552,610
Structures	376,755	7	-	893	(8,992)		368,663
Machinery	4,648,331	1,666	(302)	186,568	(419,275)		4,416,988
Other	448,203	42,099	(583)	(91,576)	(26,040)		372,103
Construction in progress	377,400	41,521	-	(135,472)	-		283,449
	₩ 6,923,133	85,440	(902)	(22,837)	(463,565)		6,521,269

(2) Details of the right-of-use assets as of March 31, 2019 and January 1, 2019 are as follows:

(In millions of won)

	March 31, 2019	January 1, 2019
Buildings	₩ 375,808	366,279
Other	53,874	66,795
	₩ 429,682	433,074

10. Intangible Assets

(1) Details of the changes in intangible assets for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended March 31, 2019							Ending balance
	Beginning balance	Impact of adopting K-IFRS No. 1116	Acquisition	Disposal	Transfer	Amortization	Impairment	
Frequency usage rights	₩ 3,139,978	-	-	-	-	(100,972)	-	3,039,006
Land usage rights	6,498	-	-	-	-	(844)	-	5,654
Industrial rights	15,300	-	319	-	-	(749)	-	14,870
Facility usage rights	16,008	-	259	-	122	(705)	-	15,684
Club memberships	47,411	-	-	(135)	-	-	(63)	47,213
Other	785,669	(2,274)	1,809	(1,995)	8,096	(69,877)	-	721,428
	₩ 4,010,864	(2,274)	2,387	(2,130)	8,218	(173,147)	(63)	3,843,855

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10. Intangible Assets, Continued

- (1) Details of the changes in intangible assets for the three-month periods ended March 31, 2019 and 2018 are as follows, Continued:

(In millions of won)

	For the three-month period ended March 31, 2018					
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Ending balance
Frequency usage rights	₩ 2,176,940	-	-	-	(100,972)	2,075,968
Land usage rights	7,858	1,005	-	-	(984)	7,879
Industrial rights	12,899	2,408	-	-	(773)	14,534
Facility usage rights	16,456	282	(2)	30	(681)	16,085
Club memberships	44,843	-	(25)	-	-	44,818
Other	830,549	664	-	25,710	(69,186)	787,737
	<u>₩ 3,089,545</u>	<u>4,359</u>	<u>(27)</u>	<u>25,740</u>	<u>(172,596)</u>	<u>2,947,021</u>

- (2) Details of frequency usage rights as of March 31, 2019 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license	₩ 91,245	CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	345,455	LTE service	Sept. 2013	Dec. 2021
2.6GHz license	940,995	LTE service	Sept. 2016	Dec. 2026
2.1GHz license	294,385	W-CDMA and LTE service	Dec. 2016	Dec. 2021
3.5GHz license(*)	1,164,243	5G service	-	Nov. 2028
28GHz license(*)	202,683	5G service	-	Nov. 2023
	<u>₩ 3,039,006</u>			

- (*) The Company participated in the frequency license allocation auction hosted by Ministry of Science and Information and Communication Technology (ICT) and was assigned the 3.5GHz and 28GHz bands of frequency licenses during the year ended December 31, 2018. The considerations payable for the bands of frequency are ₩1,218,500 million and ₩207,300 million, respectively. These bands of frequency were assigned in December 2018 and the annual payments in installment of the remaining balances will be made for the next ten and five years, respectively. The Company recognized these frequency licenses as intangible assets at the date of initial lump sum payment and starts amortization when the bands of frequency are in the condition necessary for them to be capable of operating in the manner intended by management.

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11. Borrowings and Debentures

There were no changes in long-term borrowings for the three-month period ended March 31, 2019 and details of the changes in debentures for the three-month period ended March 31, 2019 are as follows:

(In millions of won)

	<u>Purpose</u>	<u>Annual interest rate(%)</u>	<u>Maturity</u>	<u>Face value</u>	<u>Book value</u>
Current				₩ 500,000	499,747
Non-current				5,243,533	5,222,865
As of January 1, 2019				<u>5,743,533</u>	<u>5,722,612</u>
Debentures newly issued:					
Unsecured corporate bonds	Operating fund	2.03	Mar. 6, 2022	180,000	179,234
		2.09	Mar. 6, 2024	120,000	119,498
		2.19	Mar. 6, 2029	50,000	49,801
		2.23	Mar. 6, 2039	50,000	49,812
				<u>₩ 400,000</u>	<u>398,345</u>
Debentures repaid:					
Unsecured corporate bonds	Operating fund	1.65	Mar. 4, 2019	₩ (70,000)	(70,000)
Other changes(*1)				23,892	24,788
Current(*2)				771,340	770,950
Non-current(*2)				5,326,085	5,304,795
As of March 31, 2019				<u>₩ 6,097,425</u>	<u>6,075,745</u>

(*1) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and changes in present value discount on debentures for the three-month period ended March 31, 2019.

(*2) ₩341,093 million were transferred from non-current to current for the three-month period ended March 31, 2019.

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12. Long-term Payables – other

(1) As of March 31, 2019 and December 31, 2018, details of long-term payables – other related to the acquisition of frequency usage rights are as follows (See note 10):

(In millions of won)

	March 31, 2019	December 31, 2018
Long-term payables – other	₩ 2,051,389	2,476,738
Present value discount on long-term payables – other	(105,044)	(113,772)
Current installments of long-term payables – other	(418,739)	(423,884)
Carrying amount at period end	<u>₩ 1,527,606</u>	<u>1,939,082</u>

(2) The Company repaid ₩425,349 million of the principal amounts of long-term payables – other related to the acquisition of frequency usage rights for the three-month period ended March 31, 2019. The repayment schedule of the principal amount of long-term payables – other as of March 31, 2019 is as follows:

(In millions of won)

	Amount
Less than 1 year	₩ 425,349
1~3 years	647,589
3~5 years	413,385
More than 5 years	565,066
	<u>₩ 2,051,389</u>

13. Provisions

Changes in provisions for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended March 31, 2019					As of March 31, 2019	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for restoration	₩ 59,548	724	(140)	(354)	59,778	44,563	15,215
Emission allowance	2,238	1,074	-	-	3,312	3,312	-
	<u>₩ 61,786</u>	<u>1,798</u>	<u>(140)</u>	<u>(354)</u>	<u>63,090</u>	<u>47,875</u>	<u>15,215</u>

(In millions of won)

	For the three-month period ended March 31, 2018					As of March 31, 2018	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for installment of handset subsidy	₩ 3,874	-	(263)	-	3,611	3,611	-
Provision for restoration	56,162	920	(196)	(104)	56,782	40,697	16,085
Emission allowance	4,650	759	-	-	5,409	5,409	-
	<u>₩ 64,686</u>	<u>1,679</u>	<u>(459)</u>	<u>(104)</u>	<u>65,802</u>	<u>49,717</u>	<u>16,085</u>

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14. Defined Benefit Assets

(1) Details of defined benefit assets as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	₩ 341,893	332,044
Fair value of plan assets	(364,544)	(363,878)
	<u>₩ (22,651)</u>	<u>(31,834)</u>

(2) Changes in defined benefit obligations for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>For the three-month period ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Beginning balance	₩ 332,044	278,778
Current service cost	11,056	9,927
Interest cost	2,051	2,086
Remeasurement		
- Adjustment based on experience	2,623	9,053
Benefit paid	(7,784)	(4,457)
Others	1,903	3,160
Ending balance	<u>₩ 341,893</u>	<u>298,547</u>

(3) Changes in plan assets for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>For the three-month period ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Beginning balance	₩ 363,878	318,860
Interest income	2,212	2,371
Remeasurement	(273)	(717)
Contribution	20,000	9,000
Benefit paid	(18,053)	(14,731)
Others	(3,220)	6,197
Ending balance	<u>₩ 364,544</u>	<u>320,980</u>

(4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>For the three-month period ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Current service cost	₩ 11,056	9,927
Net interest income	(161)	(285)
	<u>₩ 10,895</u>	<u>9,642</u>

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15. Share Capital and Capital Surplus and Others

- (1) The Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Number of authorized shares	220,000,000	220,000,000
Number of issued shares	80,745,711	80,745,711
Share capital:		
Common share	₩ 44,639	44,639
Capital surplus and others:		
Paid-in capital surplus	2,915,887	2,915,887
Treasury shares	(1,979,475)	(1,979,475)
Hybrid bonds(*)	398,759	398,759
Share option(note 16)	1,094	1,007
Others	(920,854)	(920,854)
	<u>₩ 415,411</u>	<u>415,324</u>

- (*) Hybrid bonds issued by the Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common shares in the event of a liquidation or reorganization of the Company.

- (2) There were no changes in share capital during the three-month periods ended March 31, 2019 and 2018 and details of shares outstanding as of March 31, 2019 and 2018 are as follows:

(In shares)

	<u>March 31, 2019</u>			<u>March 31, 2018</u>		
	<u>Issued shares</u>	<u>Treasury shares</u>	<u>Outstanding shares</u>	<u>Issued shares</u>	<u>Treasury shares</u>	<u>Outstanding shares</u>
Shares outstanding	80,745,711	8,875,883	71,869,828	80,745,711	10,136,551	70,609,160

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16. Share option

- (1) The terms and conditions related to the grants of the share options under the share option program are as follows:

	Series					
	1-1	1-2	1-3	2	3	4
Grant date		March 24, 2017		February 20, 2018	February 22, 2019	March 26, 2019
Types of shares to be issued	Registered common shares					
Grant method	Reissue of treasury shares			Reissue of treasury shares, Cash-settlement		
Number of shares (in shares)	22,168	22,168	22,168	1,358	5,477	1,734
Exercise price (in won)	246,750	266,490	287,810	254,120	265,260	254,310
Exercise period	Mar. 25, 2019 ~ Mar. 24, 2022	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 2024	Feb. 21, 2020 ~ Feb. 20, 2023	Feb. 23, 2021 ~ Feb. 22, 2024	Mar. 27, 2021 ~ Mar. 26, 2024
Vesting conditions	2 years' service from the grant date	3 years' service from the grant date	4 years' service from the grant date	2 years' service from the grant date	2 years' service from the grant date	2 years' service from the grant date

- (2) Share compensation expense recognized for the three-month period ended March 31, 2019 and the remaining share compensation expense to be recognized in subsequent periods are as follows:

(In millions of won)

	Share compensation expense
Accumulated compensation expenses as of December 31, 2018	₩ 1,007
For the three-month period ended March 31, 2019	87
In subsequent periods	390
	₩ 1,484

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

	Series					
	1-1	1-2	1-3	2	3	4
Risk-free interest rate	1.86%	1.95%	2.07%	2.63%	1.91%	1.78%
Estimated option's life	5 years	6 years	7 years	5 years	5 years	5 years
Share price (Closing price on the preceding day in won)	262,500	262,500	262,500	243,500	259,000	253,000
Expected volatility	13.38%	13.38%	13.38%	16.45%	8.30%	7.70%
Expected dividends	3.80%	3.80%	3.80%	3.70%	3.80%	3.90%
Exercise price (in won)	246,750	266,490	287,810	254,120	265,260	254,310
Per share fair value of the option (in won)	27,015	20,240	15,480	23,988	8,600	8,111

17. Retained Earnings

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For the three-month periods ended March 31, 2019 and 2018

Retained earnings as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Appropriated:		
Legal reserve	₩ 22,320	22,320
Reserve for business expansion	11,531,138	10,531,138
Reserve for technology development	4,265,300	3,321,300
	<u>15,818,758</u>	<u>13,874,758</u>
Unappropriated	614,348	2,593,031
	<u>₩ 16,433,106</u>	<u>16,467,789</u>

18. Reserves

(1) Details of reserves, net of taxes, as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Valuation gain on FVOCI	₩ 3,612	2,047
Valuation loss on derivatives	(32,695)	(42,312)
	<u>₩ (29,083)</u>	<u>(40,265)</u>

(2) Changes in reserves for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	<u>Valuation gain (loss) on financial assets at FVOCI</u>	<u>Valuation gain (loss) on available-for-sale financial assets</u>	<u>Valuation gain (loss) on derivatives</u>	<u>Total</u>
Balance at December 31, 2017	₩ -	148,873	(70,572)	78,301
Impact of adopting K-IFRS No.1109	90,484	(148,873)	-	(58,389)
Balance at January 1, 2018	90,484	-	(70,572)	19,912
Changes, net of taxes	(20,139)	-	(9,025)	(29,164)
Balance at March 31, 2018	<u>70,345</u>	<u>-</u>	<u>(79,597)</u>	<u>(9,252)</u>
Balance at January 1, 2019	2,047	-	(42,312)	(40,265)
Changes, net of taxes	1,565	-	9,617	11,182
Balance at March 31, 2019	<u>₩ 3,612</u>	<u>-</u>	<u>(32,695)</u>	<u>(29,083)</u>

19. Operating revenue

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

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Products transferred at a point in time:		
Product sales	₩ 21,454	33,273
Services transferred over time:		
Wireless service revenue(*1)	2,412,673	2,568,880
Cellular interconnection revenue	127,393	150,872
Other(*2)	250,688	235,513
	<u>2,790,754</u>	<u>2,955,265</u>
	₩ <u>2,812,208</u>	<u>2,988,538</u>

(*1) Wireless service revenue includes revenue from wireless voice and data transmission services principally derived through usage charges collected from the wireless subscribers.

(*2) Other revenue includes revenue from billing and collection services as well as other miscellaneous services.

Most of the Company's transactions are occurring in Korea as it principally operates its businesses in Korea.

20. Other Operating Expenses

Details of other operating expenses for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Communication	₩ 7,219	7,033
Utilities	58,828	57,816
Taxes and dues	4,138	4,104
Repair	60,335	53,376
Research and development	82,903	71,211
Training	7,186	6,895
Bad debt for accounts receivable – trade	4,327	4,486
Supplies and other	12,725	11,958
	₩ <u>237,661</u>	<u>216,879</u>

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21. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Other non-operating Income:		
Gain on disposal of property and equipment and intangible assets	₩ 868	114
Others	2,824	12,011
	<u>₩ 3,692</u>	<u>12,125</u>
Other non-operating Expenses:		
Loss on disposal of property and equipment and intangible assets	₩ 959	390
Donations	2,517	15,939
Bad debt for accounts receivable - other	737	723
Others	1,982	1,126
	<u>₩ 6,195</u>	<u>18,178</u>

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22. Finance Income and Costs

(1) Details of finance income and costs for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Finance Income:		
Interest income	₩ 7,463	11,594
Gain on sale of accounts receivable – other	7,942	3,749
Dividends	506,050	161,242
Gain on foreign currency transactions	1,199	3,376
Gain on foreign currency translations	824	16
Gain relating to financial assets at FVTPL	146	992
Gain on valuation of derivatives	446	319
	₩ <u>524,070</u>	<u>181,288</u>
Finance Costs:		
Interest expenses	₩ 64,205	60,933
Loss on foreign currency transactions	934	5,531
Loss on foreign currency translations	139	64
Loss on financial assets at FVTPL	140	200
Loss on financial liabilities at FVTPL	252	288
	₩ <u>65,670</u>	<u>67,016</u>

(2) Details of interest income included in finance income for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Interest income on cash equivalents and short-term financial instruments	₩ 2,844	3,394
Interest income on loans and others	4,619	8,200
	₩ <u>7,463</u>	<u>11,594</u>

(3) Details of interest expenses included in finance costs for three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Interest expenses on borrowings	₩ 1,093	1,720
Interest expenses on debentures	44,195	45,828
Others	18,917	13,385
	₩ <u>64,205</u>	<u>60,933</u>

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22. Finance Income and Costs, Continued

(4) Details of impairment losses on financial assets for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Accounts receivable – trade	₩ 4,327	4,486
Other receivables	737	723
	₩ 5,064	5,209

23. Income Tax Expense

Income tax expense was calculated by considering current tax expense adjusted to changes in estimates related to prior periods, and deferred tax expense due to origination and reversal of temporary differences.

24. Earnings per Share

(1) Basic earnings per share

1) Basic earnings per share for the three-month periods ended March 31, 2019 and 2018 are calculated as follows:

(In millions of won, except for share data)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Profit for the period	₩ 643,993	364,427
Interest on hybrid bonds	(3,692)	-
Profit for the period available for common shares	640,301	364,427
Weighted average number of common shares outstanding	71,869,828	70,609,160
Basic earnings per share (in won)	₩ 8,909	5,161

2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2019 and 2018 are calculated as follows:

(In shares)

	Number of common shares	Weighted average number of common shares
		For the three-month period ended March 31, 2019
Issued shares at January 1	80,745,711	80,745,711
Treasury shares at January 1	(8,875,883)	(8,875,883)
	71,869,828	71,869,828

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24. Earnings per Share, Continued

(1) Basic earnings per share, Continued

2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2019 and 2018 are calculated as follows, Continued:

<i>(In shares)</i>	Number of common shares	Weighted average number of common shares For the three-month period ended March 31, 2018
Issued shares at January 1	80,745,711	80,745,711
Treasury shares at January 1	<u>(10,136,551)</u>	<u>(10,136,551)</u>
	<u>70,609,160</u>	<u>70,609,160</u>

(2) Diluted earnings per share

For the three-month periods ended March 31, 2019 and 2018, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.

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25. Categories of Financial Instruments

(1) Financial assets by category as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	March 31, 2019				
	Financial assets at FVTPL	Equity instruments at FVOCI	Financial assets at amortized cost	Derivatives-hedging instrument	Total
Cash and cash equivalents	₩ -	-	854,972	-	854,972
Financial instruments	-	-	139,382	-	139,382
Short-term investment securities	47,955	-	-	-	47,955
Long-term investment securities(*)	78,014	335,299	-	-	413,313
Accounts receivable – trade	-	-	1,335,692	-	1,335,692
Loans and other receivables	495,218	-	1,105,052	-	1,600,270
Derivative financial assets	11,392	-	-	74,175	85,567
	₩ 632,579	335,299	3,435,098	74,175	4,477,151

(*) The Company designated ₩335,299 million of equity instruments that are not held for trading as financial assets measured at FVOCI.

(In millions of won)

	December 31, 2018				
	Financial assets at FVTPL	Equity instruments at FVOCI	Financial assets at amortized cost	Derivatives-hedging instrument	Total
Cash and cash equivalents	₩ -	-	877,823	-	877,823
Financial instruments	-	-	99,382	-	99,382
Short-term investment securities	47,849	-	-	-	47,849
Long-term investment securities(*)	77,511	333,161	-	-	410,672
Accounts receivable – trade	-	-	1,354,260	-	1,354,260
Loans and other receivables	485,325	-	554,048	-	1,039,373
Derivative financial assets	10,947	-	-	39,858	50,805
	₩ 621,632	333,161	2,885,513	39,858	3,880,164

(*) The Company designated ₩333,161 million of equity instruments that are not held for trading as financial assets measured at FVOCI.

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25. Categories of Financial Instruments, Continued

(2) Financial liabilities by category as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	March 31, 2019			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives-hedging instrument	Total
Derivative financial liabilities	₩ -	-	24	24
Borrowings	-	45,260	-	45,260
Debentures(*)	62,065	6,013,680	-	6,075,745
Lease liabilities	-	433,238	-	433,238
Accounts payable – other and others	-	5,045,987	-	5,045,987
	₩ 62,065	11,538,165	24	11,600,254

(*) Debentures classified as financial liabilities at FVTPL as of March 31, 2019 are structured bonds, and they were designated as financial liabilities at FVTPL in order to eliminate a measurement inconsistency with the related derivatives.

(In millions of won)

	December 31, 2018			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives-hedging instrument	Total
Derivative financial liabilities	₩ -	-	1,107	1,107
Borrowings	-	44,394	-	44,394
Debentures(*)	61,813	5,660,799	-	5,722,612
Accounts payable – other and others	-	5,181,029	-	5,181,029
	₩ 61,813	10,886,222	1,107	10,949,142

(*) Debentures classified as financial liabilities at FVTPL as of December 31, 2018 are structured bonds, and they were designated as financial liabilities at FVTPL in order to eliminate a measurement inconsistency with the related derivatives.

26. Financial Risk Management

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For the three-month periods ended March 31, 2019 and 2018

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

The Company is exposed to currency risk mainly on exchange fluctuations on forecasted transactions and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Company.

Monetary assets and liabilities denominated in foreign currencies as of March 31, 2019 are as follows:

(In millions of won, thousands of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
USD	39,482 ₩	44,923	1,231,378 ₩	1,401,062
EUR	12,767	16,310	-	-
JPY	14,098	145	1,404	14
Others	-	161	-	-
	₩	<u>61,539</u>	₩	<u>1,401,076</u>

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures.

As of March 31, 2019, a hypothetical change in exchange rates by 10% would have increased (reduced) the Company's income before income taxes as follows:

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 4,460	(4,460)
EUR	1,631	(1,631)
JPY	13	(13)
Others	16	(16)
	₩ <u>6,120</u>	<u>(6,120)</u>

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(ii) Interest rate risk

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

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

As of March 31, 2019, floating-rate debentures amount to ₩341,340 million, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. Therefore, income before income taxes for the three-month period ended March 31, 2019 would not have been affected by the changes in interest rates of floating-rate debenture.

As of March 31, 2019, the floating-rate long-term payables – other are ₩2,051,389 million. If the interest rate increases (decreases) 1%p with all other variables held constant, income before income taxes for the period ended March 31, 2019, would change by ₩ 5,129 million in relation to floating-rate long-term payables – other that are exposed to interest rate risk.

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

The maximum credit exposure as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	₩ 854,923	877,781
Financial instruments	139,382	99,382
Investment securities	900	900
Accounts receivable – trade	1,335,692	1,354,260
Loans and other receivables	1,600,270	1,039,373
Derivative financial assets	85,567	50,805
	<u>₩ 4,016,734</u>	<u>3,422,501</u>

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

The Company establishes loss allowance in respect of accounts receivable – trade and other. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that are expected to occur. The collective loss allowance is determined based on historical data of collection statistics for similar financial assets. Also, the Company's credit risk can arise from transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of March 31, 2019.

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

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

Contractual maturities of financial liabilities as of March 31, 2019 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings(*)	₩ 45,260	47,776	13,956	33,820	-
Debentures(*)	6,075,745	7,268,921	954,438	3,201,014	3,113,469
Lease liabilities	433,238	446,205	203,734	214,692	27,779
Accounts payable – other and others(*)	5,045,987	5,257,896	3,519,976	1,156,171	581,749
	₩ 11,600,230	13,020,798	4,692,104	4,605,697	3,722,997

(*) Includes interest payables.

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

As of March 31, 2019, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	₩ 74,175	74,354	32,371	66,011	(24,028)
Liabilities	(24)	(31)	170	(201)	-
	₩ 74,151	74,323	32,541	65,810	(24,028)

(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall capital management strategy of the Company is the same as that of the Company for the year ended December 31, 2018.

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	₩ 12,855,347	11,960,536
Total equity	16,864,073	16,887,487
Debt-equity ratios	76.23%	70.82%

(3) Fair value

1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of March 31, 2019 are as follows:

(In millions of won)

	<u>March 31, 2019</u>				
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets that are measured at fair value:					
FVTPL	₩ 632,579	-	554,565	78,014	632,579
Derivative hedging instrument	74,175	-	74,175	-	74,175
FVOCI	335,299	294,537	-	40,762	335,299
	<u>₩ 1,042,053</u>	<u>294,537</u>	<u>628,740</u>	<u>118,776</u>	<u>1,042,053</u>
Financial liabilities that are measured at fair value:					
FVTPL	₩ 62,065	-	62,065	-	62,065
Derivative financial liabilities	24	-	24	-	24
	<u>₩ 62,089</u>	<u>-</u>	<u>62,089</u>	<u>-</u>	<u>62,089</u>
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 45,260	-	46,439	-	46,439
Debentures	6,013,680	-	6,442,811	-	6,442,811
Long-term payables – other	1,946,345	-	2,007,478	-	2,007,478
	<u>₩ 8,005,285</u>	<u>-</u>	<u>8,496,728</u>	<u>-</u>	<u>8,496,728</u>

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

28. Financial Risk Management, Continued

(3) Fair value, Continued

2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2018 are as follows:

(In millions of won)

		December 31, 2018				
		Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:						
FVTPL	₩	621,632	-	544,121	77,511	621,632
Derivative hedging instrument		39,858	-	39,858	-	39,858
FVOCI		333,161	292,399	-	40,762	333,161
	₩	<u>994,651</u>	<u>292,399</u>	<u>583,979</u>	<u>118,273</u>	<u>994,651</u>
Financial liabilities that are measured at fair value:						
FVTPL	₩	61,813	-	61,813	-	61,813
Derivative financial liabilities		1,107	-	1,107	-	1,107
	₩	<u>62,920</u>	<u>-</u>	<u>62,920</u>	<u>-</u>	<u>62,920</u>
Financial liabilities that are not measured at fair value:						
Borrowings	₩	44,394	-	45,229	-	45,229
Debentures		5,660,799	-	6,033,601	-	6,033,601
Long-term payables – other		2,362,966	-	2,439,593	-	2,439,593
	₩	<u>8,068,159</u>	<u>-</u>	<u>8,518,423</u>	<u>-</u>	<u>8,518,423</u>

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

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

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

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(3) Fair value, Continued

2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2018 are as follows, Continued:

Interest rates used by the Company for the fair value measurement as of March 31, 2019 are as follows:

	<u>Interest rate</u>
Derivative instruments	1.59% ~ 2.81%
Borrowings and debentures	1.94% ~ 2.01%
Long-term payables - other	1.87% ~ 2.09%

3) There have been no transfers between Level 2 to Level 1 for the three-month period ended March 31, 2019. The changes of financial assets classified as Level 3 for the three-month period ended March 31, 2019 are as follows:

	<u>Balance at January 1, 2019</u>	<u>Valuation</u>	<u>Acquisition</u>	<u>Balance at March 31, 2019</u>
FVTPL	₩ 77,511	(101)	604	78,014
FVOCI	40,762	-	-	40,762
	<u>₩ 118,273</u>	<u>(101)</u>	<u>604</u>	<u>118,776</u>

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

26. Financial Risk Management, Continued

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

	March 31, 2019				
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
Derivatives(*)	₩ 3,762	-	3,762	(24)	3,738
Accounts receivable – trade and others	73,491	(73,491)	-	-	-
	<u>₩ 77,253</u>	<u>(73,491)</u>	<u>3,762</u>	<u>(24)</u>	<u>3,738</u>
Financial liabilities:					
Derivatives(*)	₩ 24	-	24	(24)	-
Accounts payable – trade and others	73,811	(73,491)	320	-	320
	<u>₩ 73,835</u>	<u>(73,491)</u>	<u>344</u>	<u>(24)</u>	<u>320</u>

(In millions of won)

	December 31, 2018				
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
Derivatives(*)	₩ 1,867	-	1,867	(1,107)	760
Accounts receivable – trade and others	92,000	(92,000)	-	-	-
	<u>₩ 93,867</u>	<u>(92,000)</u>	<u>1,867</u>	<u>(1,107)</u>	<u>760</u>
Financial liabilities:					
Derivatives(*)	₩ 1,107	-	1,107	(1,107)	-
Accounts payable – trade and others	92,324	(92,000)	324	-	324
	<u>₩ 93,431</u>	<u>(92,000)</u>	<u>1,431</u>	<u>(1,107)</u>	<u>324</u>

(*) The balance represents the net amount under the standard terms and conditions of International Swap and Derivatives Association.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties

(1) List of related parties

Relationship	Company
Ultimate Controlling Entity	SK Holdings Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 45 others(*)
Joint ventures	Dogus Planet, Inc. and 2 others
Associates	SK Hynix Inc. and 40 others
Others	The Ultimate Controlling Entity's other subsidiaries and associates, etc.

(*) As of March 31, 2019, subsidiaries of the Company are as follows:

Company	Ownership percentage(%)(*1)	Types of business
Subsidiaries owned by the Company	SK Telink Co., Ltd.	100.0 Telecommunication and Mobile Virtual Network Operator service
	SK Communications Co., Ltd.	100.0 Internet website services
	SK Broadband Co., Ltd.	100.0 Telecommunication services
	PS&Marketing Corporation	100.0 Communications device retail business
	SERVICE ACE Co., Ltd.	100.0 Customer center management service
	SERVICE TOP Co., Ltd.	100.0 Customer center management service
	Network O&S Co., Ltd.	100.0 Base station maintenance service
	SK Telecom China Holdings Co., Ltd.	100.0 Investment(holdings company)
	SK Global Healthcare Business Group., Ltd.	100.0 Investment
	YTK Investment Ltd.	100.0 Investment
	Atlas Investment	100.0 Investment
	SKT Americas, Inc.	100.0 Information gathering and consulting
	One Store Co., Ltd.	65.5 Telecommunication services
	SK Planet Co., Ltd.	98.7 Telecommunication services, system software development and supply services
	Eleven Street Co., Ltd.	80.3 E-Commerce
	DREAMUS COMPANY (Formerly, IRIVER LIMITED)(*2)	52.4 Manufacturing of media and audio equipment
	SK Infosec Co., Ltd.	100.0 Information security service
	Life & Security Holdings Co., Ltd.	55.0 Investment (holdings company)
	Quantum Innovation Fund I	59.9 Investment
	SK Telecom Japan Inc.	100.0 Information gathering and consulting
	id Quantique SA	63.9 Quantum information and communications service
	SK Telecom TMT Investment Corp.	100.0 Investment
	FSK L&S Co., Ltd.	60.0 Freight and logistics consulting business
Subsidiaries owned by SK Planet Co., Ltd.	SK m&service Co., Ltd.	100.0 Database and internet website service
	SK Planet Japan, K. K.	79.8 Digital contents sourcing service
	SKP GLOBAL HOLDINGS PTE. LTD.	100.0 Investment (holdings company)
	SKP America LLC.	100.0 Digital contents sourcing service
	shopkick Management Company, Inc.	100.0 Investment
	shopkick, Inc.	100.0 Reward points-based in-store shopping application development
	K-net Culture and Contents Venture Fund	59.0 Capital investing in startups
Subsidiaries owned by DREAMUS COMPANY (Formerly, IRIVER LIMITED)	iriver Enterprise Ltd.	100.0 Management of Chinese subsidiaries
	iriver Inc.	100.0 Sales and marketing in North America
	iriver China Co., Ltd.	100.0 Sales and manufacturing of MP3 and 4 in China
	Dongguan iriver Electronics Co., Ltd.	100.0 Sales and Manufacturing of e-book devices in China
	groovers Japan Co., Ltd.	100.0 Digital music contents sourcing and distribution service
	LIFE DESIGN COMPANY Inc.	100.0 Selling of goods in Japan

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(1) List of related parties, Continued

	Company	Ownership percentage%)(*1)	Types of business
Subsidiaries owned by Life & Security Holdings Co., Ltd.	ADT CAPS Co., Ltd.	100.0	Unmanned security
	CAPSTEC Co., Ltd.	100.0	Manned security
Subsidiary owned by SK Telink Co., Ltd.	ADT SECURITY Co., Ltd.	100.0	Sales and trade of anti-theft devices and surveillance devices
Subsidiaries owned by SK Broadband Co., Ltd.	SK TELINK VIETNAM Co., Ltd.	100.0	Communications device retail business
	SK Telink Co., Ltd.		
Subsidiaries owned by SK Broadband Co., Ltd.	Home & Service Co., Ltd.	100.0	Operation of information and communication facility
	SK stoa Co., Ltd.	100.0	Other telecommunication retail business
Subsidiary owned by Quantique SA	Id Quantique LLC	100.0	Quantum information and communications service
Subsidiary owned by FSK L&S Co., Ltd.	FSK L&S(Shanghai) Co., Ltd.(*3)	66.0	Logistics business
Others(*4)	SK Telecom Innovation Fund, L.P.	100.0	Investment
	SK Telecom China Fund I L.P.	100.0	Investment

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

(*2) DREAMUS COMPANY(Formerly, IRIVER LIMITED) merged groovers Inc. during the three-month period ended March 31, 2019.

(*3) FSK L&S Co., Ltd. was reclassified as a subsidiary from an associate during the three-month period ended March 31, 2019, and thus FSK L&S(Shanghai) Co., Ltd., a subsidiary of FSK L&S Co., Ltd. was included in the subsidiary.

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

As of March 31, 2019, the Company belongs to SK Group, a conglomerate as defined in the *Monopoly Regulation and Fair Trade Act of the Republic of Korea*. All of the other entities included in SK Group are considered related parties of the Company.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(2) Compensation to the key management

The Company considers registered directors (3 executive and 5 non-executive directors) who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management. The compensation given to such key management for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Salaries	₩ 4,328	2,737
Defined benefits plan expenses	811	557
Share option	130	139
	<u>₩ 5,269</u>	<u>3,433</u>

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

Scope	Company	For the three-month period ended March 31, 2019		
		Operating revenue and others	Operating expense and others(*1)	Acquisition of property and equipment
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*2)	₩ 1,552	266,045	1,271
Subsidiaries	SK Broadband Co., Ltd.	25,707	127,428	-
	PS&Marketing Corporation(*3)	3,401	331,855	-
	Network O&S Co., Ltd.	1,158	53,314	-
	SK Planet Co., Ltd.	263	22,424	2,299
	SK Telink Co., Ltd.(*4)	211,950	5,469	-
	SERVICE ACE Co., Ltd.(*5)	9,440	32,012	-
	SERVICE TOP Co., Ltd.(*6)	10,995	30,577	-
	Eleven Street Co., Ltd.	4,451	1,806	-
	Others(*7)	68,108	23,845	691
			<u>335,473</u>	<u>628,730</u>
Associates	F&U Credit information Co., Ltd.	299	11,430	-
	SK hynix Inc.(*8)	227,413	57	-
	KEB HanaCard Co., Ltd.	413	393	-
	SK Wyverns Co., Ltd.	294	15,000	-
	Others	-	3,068	37
		<u>228,419</u>	<u>29,948</u>	<u>37</u>
Others	SK Engineering & Construction Co., Ltd.	517	2,400	-
	SK Innovation Co., Ltd.	2,544	355	-
	SK Networks Co., Ltd.	599	6,181	443
	SK Networks Service Co., Ltd.	165	10,293	-
	SK Telesys Co., Ltd.	44	153	157
	SK TNS Co., Ltd.	54	131	739
	SK energy Co., Ltd.	542	5	-
	SKC Infra Services Co., Ltd.	7	2,019	-
	SK E&S Co., Ltd.	495	-	-
	Others	2,253	1,352	-
		<u>7,220</u>	<u>22,889</u>	<u>1,339</u>
	₩	<u>572,664</u>	<u>947,612</u>	<u>5,637</u>

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three-month periods ended March 31, 2019 and 2018 are as follows, Continued:

(*1) Operating expenses and others include lease payments by the Company.

(*2) Operating expenses and others include ~~₩~~194,617 million of dividends declared by the Company.

(*3) Operating expenses and others include ~~₩~~196,359 million paid to PS&Marketing Corporation relating to purchase of accounts receivables resulting from sale of handsets.

(*4) Operating revenue and others include ~~₩~~199,995 million of dividend income recognized.

(*5) Operating revenue and others include ~~₩~~7,499 million of dividend income recognized.

(*6) Operating revenue and others include ~~₩~~8,900 million of dividend income recognized.

(*7) Operating revenue and others include ~~₩~~60,597 million of dividend income recognized from Life & Security Holdings Co., Ltd. and SK Infosec Co., Ltd.

(*8) Operating revenue and others include ~~₩~~219,151 million of dividend income recognized.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three-month periods ended March 31, 2019 and 2018 are as follows, Continued:

(In millions of won)

Scope	Company	For the three-month period ended March 31, 2018		
		Operating revenue and others	Operating expense and others	Acquisition of property and equipment
Ultimate Controlling Entity Subsidiaries	SK Holdings Co., Ltd.(*1)	₩ 2,898	259,282	1,526
	SK Broadband Co., Ltd.	29,929	130,384	-
	PS&Marketing Corporation(*2)	3,250	367,057	62
	Network O&S Co., Ltd.	992	47,042	-
	SK Planet Co., Ltd.	6,348	7,392	-
	SK Telink Co., Ltd.	14,690	5,455	-
	SERVICE ACE Co., Ltd.	1,933	33,209	-
	SERVICE TOP Co., Ltd.	2,144	39,806	-
	SK techx Co., Ltd.	1,384	46,222	472
	Others	6,265	11,779	1,844
		<u>66,935</u>	<u>688,346</u>	<u>2,378</u>
Associates	F&U Credit information Co., Ltd.	394	11,461	-
	HappyNarae Co., Ltd.	23	2,724	4,122
	SK hynix Inc.(*3)	152,035	28	-
	KEB HanaCard Co., Ltd.	4,032	4,031	-
	Others	291	14,681	-
		<u>156,775</u>	<u>32,925</u>	<u>4,122</u>
Others	SK Engineering & Construction Co., Ltd.	549	-	-
	SK Innovation Co., Ltd.	2,003	181	-
	SK Networks Co., Ltd.	2,741	4,435	-
	SK Networks Service Co., Ltd.	152	11,686	6
	SK Telesys Co., Ltd.	48	207	6,265
	SK TNS Co., Ltd.	25	393	12,149
	Others	3,582	10,115	544
		<u>9,100</u>	<u>27,017</u>	<u>18,964</u>
		<u>₩ 235,708</u>	<u>1,007,570</u>	<u>26,990</u>

(*1) Operating expenses and others include ₩183,271 million of dividends declared by the Company.

(*2) Operating expenses and others include ₩216,238 million paid to PS&Marketing Corporation relating to purchase of accounts receivables resulting from sale of handsets.

(*3) Operating revenue and others include ₩146,100 million of dividend income recognized.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(4) Account balances with related parties as of March 31, 2019 and December 31, 2018 are as follows:

(In millions of won)

Scope	Company	March 31, 2019			
		Receivables		Payables	
		Loans	Accounts receivable – trade, etc.	Accounts payable – other, etc.	
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩ -	2,877	225,432	
Subsidiaries	SK Broadband Co., Ltd.	-	11,920	52,626	
	PS&Marketing Corporation	-	1,181	82,968	
	Network O&S Co., Ltd.	-	252	22,234	
	SK Planet Co., Ltd.	-	81	11,799	
	SK Telink Co., Ltd.	-	208,965	5,872	
	SERVICE ACE Co., Ltd.	-	7,499	13,939	
	SERVICE TOP Co., Ltd.	-	9,353	16,542	
	Eleven Street Co., Ltd.	-	1,955	970	
	One Store Co., Ltd.	-	243	26,197	
	SK m&service Co., Ltd.	-	2,793	2,943	
	Others	-	61,514	25,912	
			-	305,756	262,002
	Associates	F&U Credit information Co., Ltd.	-	67	4,773
SK hynix Inc.		-	223,156	1	
Wave City Development Co., Ltd.		-	37,263	-	
Daehan Kanggun BcN Co., Ltd.(*)		22,147	-	-	
KEB HanaCard Co., Ltd.		-	453	7,929	
Others		408	3	1,692	
		22,555	260,942	14,395	
Other	SK Engineering and Construction Co., Ltd.	-	537	2,640	
	SK Innovation Co., Ltd.	-	2,183	1,592	
	SK Networks Co., Ltd.	-	380	21,618	
	SK Networks Services Co., Ltd.	-	-	8,116	
	SK Telesys Co., Ltd.	-	20	1,208	
	SK TNS Co., Ltd.	-	14	402	
	SK Energy Co., Ltd	-	3	4	
	Others	-	715	1,622	
		-	3,852	37,202	
		₩ 22,555	573,427	539,031	

(*) As of March 31, 2019, the Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

27. Transactions with Related Parties, Continued

(4) Account balances with related parties as of March 31, 2019 and December 31, 2018 are as follows, Continued:

(In millions of won)

Scope	Company	December 31, 2018			
		Receivable		Payable	
		Loans	Accounts receivable – trade, etc.	Accounts payable –other, etc.	
Ultimate Controlling Entity Subsidiaries	SK Holdings Co., Ltd.	₩	-	2,119	88,103
	SK Broadband Co., Ltd.		-	7,637	69,069
	PS&Marketing Corporation		-	250	82,034
	Network O&S Co., Ltd.		-	35	42,683
	SK Planet Co., Ltd.		-	1,003	45,268
	SK Telink Co., Ltd.		-	8,353	4,629
	SERVICE ACE Co., Ltd.		-	123	24,629
	SERVICE TOP Co., Ltd.		-	138	30,771
	Eleven Street Co., Ltd.		-	2,086	3,141
	One Store Co., Ltd.		-	1,178	27,164
	SK m&service Co.,Ltd.		-	3,366	5,894
	Others		-	401	28,776
				<u>24,570</u>	<u>364,058</u>
Associates	F&U Credit information Co., Ltd.		-	92	5,725
	SK hynix Inc.		-	12,840	89
	Wave City Development Co., Ltd.		-	37,263	-
	Daehan Kanggun BcN Co., Ltd.(*)	22,147	-	-	-
	KEB HanaCard Co., Ltd.		-	541	11,311
	Others	407	111	1,762	
		<u>22,554</u>	<u>50,847</u>	<u>18,887</u>	
Other	SK Engineering and Construction Co., Ltd.		-	441	760
	SK Innovation Co., Ltd.		-	2,297	798
	SK Networks Co., Ltd.		-	1,226	327
	SK Networks Services Co., Ltd.		-	11	7,849
	SK Telesys Co., Ltd.		-	19	4,163
	SK TNS Co., Ltd.		-	-	78,421
	SK Energy Co., Ltd.		-	790	102
	Others		-	1,732	4,591
			<u>6,516</u>	<u>97,011</u>	
	₩	<u>22,554</u>	<u>84,052</u>	<u>568,059</u>	

(*) As of December 31, 2018, the Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.

(5) The details of the additional investments and disposal of subsidiaries and associates for the three-month period ended March 31, 2019 are described in note 8.

28. Commitments and Contingencies

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

(1) Accounts receivables from sale of handsets

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

The accounts receivables from sale of handsets amounting to ₩615,132 million as of March 31, 2019 which the Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable – other and long-term accounts receivable – other.

(2) Legal claims and litigations

As of March 31, 2019, the Company is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. In connection with those legal claims and litigation for which no provision was recognized, management does not believe the Company has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Company's financial position or operating results in the event an outflow of resources is ultimately necessary.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

29. Statements of Cash Flows

(1) Adjustments for income and expenses from operating activities for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Gain on foreign currency translations	₩ (824)	(16)
Interest income	(7,463)	(11,594)
Dividends	(506,050)	(161,242)
Gain relating to financial assets at FVTPL	(146)	(992)
Gain on disposal of property and equipment and intangible assets	(868)	(114)
Gain on valuation of derivatives	(446)	(319)
Gain on sale of accounts receivable – other	(7,942)	(3,749)
Loss on foreign currency translations	139	64
Bad debt for accounts receivable – trade	4,327	4,486
Bad debt for accounts receivable – other	737	723
Loss relating to financial assets at FVTPL	140	200
Depreciation and amortization	664,694	636,161
Loss on disposal of property and equipment and intangible assets	959	390
Impairment loss on of property and equipment and intangible assets	63	-
Interest expenses	64,205	60,933
Loss relating to financial liabilities at FVTPL	252	288
Retirement benefit expenses	10,895	9,642
Share option	87	139
Income tax expense	117,639	113,049
Other expenses	1,739	2,685
	₩ 342,137	650,734

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018

29. Statements of Cash Flows, Continued

(2) Changes in assets and liabilities from operating activities for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Accounts receivable – trade	₩ 14,846	(2,941)
Accounts receivable – other	(4,435)	(84,456)
Advance payments	(32,818)	2,424
Prepaid expenses	17,985	53,220
Inventories	880	8,287
Long-term accounts receivable – other	(2,118)	154,185
Long-term prepaid expenses	14,931	(26,220)
Guarantee deposits	(2,196)	2,901
Contract assets	423	-
Accounts payable – other	59,754	(186,630)
Withholdings	(34,035)	182,518
Deposits received	(332)	(753)
Accrued expenses	(139,554)	(140,102)
Provisions	-	(264)
Long-term provisions	(140)	748
Plan assets	(1,947)	5,731
Retirement benefit payment	(7,784)	(4,457)
Contract liabilities	7,115	11,994
Others	8,280	(3,346)
	<u>₩ (101,145)</u>	<u>(27,161)</u>

(3) Significant non-cash transactions for the three-month periods ended March 31, 2019 and 2018 are as follows:

(In millions of won)

	For the three-month period ended	
	March 31, 2019	March 31, 2018
Decrease in accounts payable – other relating to the acquisition of property and equipment and intangible assets	₩ (155,964)	(389,325)
Acquisition of right-of-use assets	83,285	-