

**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**September 30, 2019 and 2018**

(With Independent Auditors' Review Report Thereon)

## Contents

|  | <b>Page</b> |
|--|-------------|
| <b>Independent Auditors' Review Report</b>                   | <b>1</b>    |
| Condensed Separate Statements of Financial Position          | 3           |
| Condensed Separate Statements of Income                      | 5           |
| Condensed Separate Statements of Comprehensive Income        | 6           |
| Condensed Separate Statements of Changes in Equity           | 7           |
| Condensed Separate Statements of Cash Flows                  | 9           |
| Notes to the Condensed Separate Interim Financial Statements | 11          |

# 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 September 30, 2019, the condensed separate statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, the condensed separate statement of changes in equity and cash flows for the nine-month periods ended September 30, 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 attention to the matter described in Note 3 to the condensed separate interim 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 and nine-month period ended September 30, 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  
November 13, 2019

|  |
|--|
| <p>This report is effective as of November 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 September 30, 2019 and December 31, 2018

(In millions of won)

|  | <u>Note</u>     | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--|-----------------|---------------------------|--------------------------|
| <b>Assets</b>  |                 |                           |                          |
| <b>Current Assets:</b>                                     |                 |                           |                          |
| Cash and cash equivalents                                  | 25,26 ₩         | 258,133                   | 877,823                  |
| Short-term financial instruments                           | 25,26           | 169,000                   | 99,000                   |
| Short-term investment securities                           | 7,25,26         | 48,226                    | 47,849                   |
| Accounts receivable – trade, net                           | 4,25,26,27      | 1,488,382                 | 1,354,260                |
| Short-term loans, net                                      | 4,25,26,27      | 68,413                    | 54,336                   |
| Accounts receivable – other, net                           | 3,4,25,26,27,28 | 608,617                   | 518,451                  |
| Contract assets  | 6               | 3,119                     | 1,689                    |
| Prepaid expenses   | 3,5             | 1,895,019                 | 1,688,234                |
| Inventories, net   |                 | 21,146                    | 22,079                   |
| Prepaid income taxes                                       | 23              | 63,814                    | -                        |
| Derivative financial assets                                | 25,26           | 36,897                    | -                        |
| Advanced payments and others                               | 4,25,26         | 93,832                    | 15,657                   |
|  |                 | <u>4,754,598</u>          | <u>4,679,378</u>         |
| <b>Non-Current Assets:</b>                                 |                 |                           |                          |
| Long-term financial instruments                            | 25,26           | 382                       | 382                      |
| Long-term investment securities                            | 7,25,26         | 183,718                   | 410,672                  |
| Investments in subsidiaries, associates and joint ventures | 8               | 10,583,292                | 10,188,914               |
| Property and equipment, net                                | 3,9,27          | 7,600,622                 | 6,943,490                |
| Goodwill   |                 | 1,306,236                 | 1,306,236                |
| Intangible assets, net                                     | 3,10            | 3,516,538                 | 4,010,864                |
| Long-term loans, net                                       | 4,25,26,27      | 7,903                     | 7,236                    |
| Long-term accounts receivable – other                      | 3,4,25,26,28    | 533,909                   | 274,053                  |
| Long-term contract assets                                  | 6               | 10,368                    | 5,842                    |
| Long-term prepaid expenses                                 | 3,5             | 1,108,187                 | 753,181                  |
| Guarantee deposits   | 4,25,26,27      | 187,729                   | 184,887                  |
| Long-term derivative financial assets                      | 25,26           | 139,657                   | 50,805                   |
| Defined benefit assets                                     | 14              | -                         | 31,834                   |
| Other non-current assets                                   |                 | 249                       | 249                      |
|  |                 | <u>25,178,790</u>         | <u>24,168,645</u>        |
| <b>Total Assets</b>  | <b>₩</b>        | <b><u>29,933,388</u></b>  | <b><u>28,848,023</u></b> |

See accompanying notes to the condensed separate interim financial statements.

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

As of September 30, 2019 and December 31, 2018

(In millions of won)

|   | <u>Note</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|---|-------------|---------------------------|--------------------------|
| <b>Liabilities and Shareholders' Equity</b>               |             |                           |                          |
| <b>Current Liabilities:</b>                               |             |                           |                          |
| Accounts payable – other                                  | 25,26,27 ₩  | 1,870,939                 | 1,622,744                |
| Contract liabilities                                      | 6           | 67,772                    | 46,075                   |
| Withholdings  | 25,26       | 660,119                   | 696,790                  |
| Accrued expenses  | 25,26       | 766,087                   | 664,286                  |
| Income tax payable  | 23          | -                         | 162,609                  |
| Provisions  | 13          | 48,608                    | 49,303                   |
| Current installments of long-term debt, net               | 11,25,26    | 593,886                   | 512,377                  |
| Lease liabilities   | 3,25,26,27  | 215,739                   | -                        |
| Current installments of long-term payables – other        | 12,25,26    | 422,117                   | 423,884                  |
|   |             | <u>4,645,267</u>          | <u>4,178,068</u>         |
| <b>Non-Current Liabilities:</b>                           |             |                           |                          |
| Debentures, excluding current installments, net           | 11,25,26    | 5,639,891                 | 5,222,865                |
| Long-term borrowings, excluding current installments, net | 11,25,26    | 27,336                    | 31,764                   |
| Long-term payables – other                                | 12,25,26    | 1,538,937                 | 1,939,082                |
| Long-term contract liabilities                            | 6           | 14,139                    | 8,358                    |
| Long-term derivative financial liabilities                | 25,26       | -                         | 1,107                    |
| Long-term lease liabilities                               | 3,25,26,27  | 228,678                   | -                        |
| Long-term provisions                                      | 13          | 16,262                    | 12,483                   |
| Deferred tax liabilities                                  | 3,23        | 663,105                   | 523,732                  |
| Defined benefit liabilities                               | 14          | 318                       | -                        |
| Other non-current liabilities                             | 25,26       | 43,369                    | 43,077                   |
|   |             | <u>8,172,035</u>          | <u>7,782,468</u>         |
| <b>Total Liabilities</b>                                  |             | <u>12,817,302</u>         | <u>11,960,536</u>        |
| <b>Shareholders' Equity:</b>                              |             |                           |                          |
| Share capital   | 1,15        | 44,639                    | 44,639                   |
| Capital surplus and others                                | 15,16       | 415,552                   | 415,324                  |
| Retained earnings   | 3,17        | 16,708,070                | 16,467,789               |
| Reserves  | 18          | (52,175)                  | (40,265)                 |
| <b>Total Shareholders' Equity</b>                         |             | <u>17,116,086</u>         | <u>16,887,487</u>        |
| <b>Total Liabilities and Shareholders' Equity</b>         | ₩           | <u>29,933,388</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 and nine-month periods ended September 30, 2019 and 2018

(In millions of won)

|  | Note  | 2019                                  |                                      | 2018                                  |                                      |
|--|-------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|  |       | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| <b>Operating revenue:</b>                          | 19,27 |                                       |                                      |                                       |                                      |
| Revenue  | ₩     | 2,911,550                             | 8,571,475                            | 2,925,572                             | 8,855,945                            |
| <b>Operating expenses:</b>                         | 27    |                                       |                                      |                                       |                                      |
| Labor  |       | 194,454                               | 578,501                              | 174,779                               | 508,487                              |
| Commissions  |       | 1,156,371                             | 3,321,847                            | 1,112,744                             | 3,331,204                            |
| Depreciation and amortization                      | 3     | 680,737                               | 1,967,750                            | 578,269                               | 1,759,703                            |
| Network interconnection                            |       | 137,540                               | 419,686                              | 162,286                               | 491,913                              |
| Leased line  |       | 54,823                                | 158,437                              | 70,146                                | 208,975                              |
| Advertising  |       | 36,014                                | 93,663                               | 43,678                                | 107,644                              |
| Rent   | 3     | 55,541                                | 168,205                              | 108,978                               | 331,560                              |
| Cost of goods sold                                 |       | 105,114                               | 326,304                              | 126,474                               | 383,169                              |
| Others   | 20    | 238,195                               | 703,361                              | 237,578                               | 685,114                              |
|  |       | <u>2,658,789</u>                      | <u>7,737,754</u>                     | <u>2,614,932</u>                      | <u>7,807,769</u>                     |
| <b>Operating profit</b>                            |       | <b>252,761</b>                        | <b>833,721</b>                       | <b>310,640</b>                        | <b>1,048,176</b>                     |
| Finance income                                     | 22    | 18,278                                | 566,621                              | 34,427                                | 241,720                              |
| Finance costs                                      | 3,22  | (65,056)                              | (197,926)                            | (59,087)                              | (198,989)                            |
| Other non-operating income                         | 21    | 4,848                                 | 12,317                               | 2,573                                 | 19,067                               |
| Other non-operating expenses                       | 21    | (7,865)                               | (32,557)                             | (25,650)                              | (73,654)                             |
| Loss on investments in subsidiaries and associates | 8     | -                                     | -                                    | (12,977)                              | (12,977)                             |
| <b>Profit before income tax</b>                    |       | <b>202,966</b>                        | <b>1,182,176</b>                     | <b>249,926</b>                        | <b>1,023,343</b>                     |
| Income tax expense                                 | 23    | 41,878                                | 215,081                              | 66,604                                | 255,808                              |
| <b>Profit for the period</b>                       | ₩     | <b>161,088</b>                        | <b>967,095</b>                       | <b>183,322</b>                        | <b>767,535</b>                       |
| <b>Earnings per share:</b>                         | 24    |                                       |                                      |                                       |                                      |
| Basic and diluted earnings per share (in won)      | ₩     | <u>2,190</u>                          | <u>13,302</u>                        | <u>2,544</u>                          | <u>10,699</u>                        |

See accompanying notes to the condensed separate interim financial statements.

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

For the three and nine-month periods ended September 30, 2019 and 2018

(In millions of won)

|  | <i>Note</i> | 2019                                  |                                      | 2018                                  |                                      |
|--|-------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|  |             | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| <b>Profit for the period</b>   | ₩           | <b>161,088</b>                        | <b>967,095</b>                       | <b>183,322</b>                        | <b>767,535</b>                       |
| <b>Other comprehensive income (loss):</b>  |             |                                       |                                      |                                       |                                      |
| <b>Items that will never be reclassified to profit or loss, net of taxes:</b>              |             |                                       |                                      |                                       |                                      |
| Remeasurement of defined benefit liabilities   | 14          | (395)                                 | (1,886)                              | (85)                                  | (4,150)                              |
| Valuation loss on financial assets at fair value through other comprehensive income        | 18          | (5,449)                               | (12,707)                             | (184)                                 | (40,911)                             |
| <b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b> |             |                                       |                                      |                                       |                                      |
| Net change in unrealized fair value of derivatives   | 18          | 9,254                                 | 30,871                               | (4,248)                               | (14,254)                             |
| <b>Other comprehensive income (loss) for the period, net of taxes</b>                      |             | <b>3,410</b>                          | <b>16,278</b>                        | <b>(4,517)</b>                        | <b>(59,315)</b>                      |
| <b>Total comprehensive income</b>  | ₩           | <b>164,498</b>                        | <b>983,373</b>                       | <b>178,805</b>                        | <b>708,220</b>                       |

See accompanying notes to the condensed separate interim financial statements.



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

For the nine-month periods ended September 30, 2019 and 2018

(In millions of won)

| Note                                     | Share capital | Capital surplus and others |                 |              |              |           | Sub-total | Retained earnings | Reserves | Total equity |
|--|---------------|----------------------------|-----------------|--------------|--------------|-----------|-----------|-------------------|----------|--------------|
|  |               | Paid-in surplus            | Treasury shares | Hybrid bonds | Share option | Other     |           |                   |          |              |
| <b>Balance, December 31, 2017</b>        | ₩ 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)      |
| <b>Restated balance, January 1, 2018</b> | ₩ 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                    | -             | -                          | -               | -            | -            | -         | -         | 767,535           | -        | 767,535      |
| Other comprehensive loss                 | 14,18         | -                          | -               | -            | -            | -         | -         | (18,166)          | (41,149) | (59,315)     |
|  |               | -                          | -               | -            | -            | -         | -         | 749,369           | (41,149) | 708,220      |
| Transactions with owners:                |               |                            |                 |              |              |           |           |                   |          |              |
| Annual dividends                         | -             | -                          | -               | -            | -            | -         | -         | (635,482)         | -        | (635,482)    |
| Interim dividends                        | -             | -                          | -               | -            | -            | -         | -         | (70,609)          | -        | (70,609)     |
| Share option                             | 16            | -                          | -               | -            | 441          | -         | 441       | -                 | -        | 441          |
| Interest on hybrid bonds                 | -             | -                          | -               | -            | -            | -         | -         | (12,111)          | -        | (12,111)     |
| Repayments of hybrid bonds               | -             | -                          | -               | (398,518)    | -            | (1,482)   | (400,000) | -                 | -        | (400,000)    |
| Proceeds from issuance of hybrid bonds   | -             | -                          | -               | 398,759      | -            | -         | 398,759   | -                 | -        | 398,759      |
|  | -             | -                          | -               | 241          | 441          | (1,482)   | (800)     | (718,202)         | -        | (719,002)    |
| <b>Balance, September 30, 2018</b>       | ₩ 44,639      | 2,915,887                  | (2,260,626)     | 398,759      | 855          | (683,780) | 371,095   | 16,317,319        | (21,237) | 16,711,816   |
| <b>Balance, December 31, 2018</b>        | ₩ 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             | -                          | -               | -            | -            | -         | -         | (25,229)          | -        | (25,229)     |
| <b>Restated balance, January 1, 2019</b> | ₩ 44,639      | 2,915,887                  | (1,979,475)     | 398,759      | 1,007        | (920,854) | 415,324   | 16,442,560        | (40,265) | 16,862,258   |
| Total comprehensive income:              |               |                            |                 |              |              |           |           |                   |          |              |
| Profit for the period                    | -             | -                          | -               | -            | -            | -         | -         | 967,095           | -        | 967,095      |
| Other comprehensive income (loss)        | 14,18         | -                          | -               | -            | -            | -         | -         | 28,188            | (11,910) | 16,278       |
|  |               | -                          | -               | -            | -            | -         | -         | 995,283           | (11,910) | 983,373      |
| Transactions with owners:                |               |                            |                 |              |              |           |           |                   |          |              |
| Annual dividends                         | -             | -                          | -               | -            | -            | -         | -         | (646,828)         | -        | (646,828)    |
| Interim dividends                        | -             | -                          | -               | -            | -            | -         | -         | (71,870)          | -        | (71,870)     |
| Share option                             | 16            | -                          | -               | -            | 228          | -         | 228       | -                 | -        | 228          |
| Interest on hybrid bonds                 | -             | -                          | -               | -            | -            | -         | -         | (11,075)          | -        | (11,075)     |
|  | -             | -                          | -               | -            | 228          | -         | 228       | (729,773)         | -        | (729,545)    |
| <b>Balance, September 30, 2019</b>       | ₩ 44,639      | 2,915,887                  | (1,979,475)     | 398,759      | 1,235        | (920,854) | 415,552   | 16,708,070        | (52,175) | 17,116,086   |

SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the nine-month periods ended September 30, 2019 and 2018

*See accompanying notes to the condensed separate interim financial statements.*

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

For the nine-month periods ended September 30, 2019 and 2018

(In millions of won)

|  | <u>Note</u> | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
|--|-------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities:</b>                               |             |                           |                           |
| Cash generated from operating activities:                                  |             |                           |                           |
| Profit for the period  | ₩           | 967,095                   | 767,535                   |
| Adjustments for income and expenses  | 29          | 1,978,804                 | 2,166,079                 |
| Changes in assets and liabilities related to operating activities          | 29          | <u>(840,155)</u>          | <u>(230,110)</u>          |
|  |             | 2,105,744                 | 2,703,504                 |
| Interest received  |             | 20,866                    | 25,280                    |
| Dividends received   |             | 514,399                   | 176,030                   |
| Interest paid  |             | (172,735)                 | (142,482)                 |
| Income tax paid  |             | <u>(309,778)</u>          | <u>(372,005)</u>          |
| <b>Net cash provided by operating activities</b>                           |             | <b><u>2,158,496</u></b>   | <b><u>2,390,327</u></b>   |
| <b>Cash flows from investing activities:</b>                               |             |                           |                           |
| Cash inflows from investing activities:                                    |             |                           |                           |
| Decrease in short-term financial instruments, net                          |             | -                         | 15,000                    |
| Collection of short-term loans   |             | 57,053                    | 154,579                   |
| Proceeds from disposal of long-term investment securities                  |             | 221,656                   | 185,142                   |
| Proceeds from disposal of investments in subsidiaries and associates       |             | -                         | 10,429                    |
| Proceeds from disposal of property and equipment                           |             | 7,514                     | 6,749                     |
| Proceeds from disposal of intangible assets                                |             | 3,836                     | 145                       |
| Collection of lease receivables  |             | <u>10,884</u>             | <u>-</u>                  |
|  |             | 300,943                   | 372,044                   |
| Cash outflows for investing activities:                                    |             |                           |                           |
| Increase in short-term financial instruments, net                          |             | (70,000)                  | -                         |
| Increase in short-term loans   |             | (71,946)                  | (165,842)                 |
| Acquisition of long-term investment securities                             |             | (13,804)                  | (990)                     |
| Acquisition of investments in subsidiaries, associates, and joint ventures |             | (375,339)                 | (323,112)                 |
| Acquisition of property and equipment                                      |             | (1,563,173)               | (1,304,941)               |
| Acquisition of intangible assets   |             | <u>(24,632)</u>           | <u>(21,415)</u>           |
|  |             | <u>(2,118,894)</u>        | <u>(1,816,300)</u>        |
| <b>Net cash used in investing activities</b>                               | ₩           | <b><u>(1,817,951)</u></b> | <b><u>(1,444,256)</u></b> |

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2019 and 2018

(In millions of won)

|   | <u>Note</u> | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
|---|-------------|---------------------------|---------------------------|
| <b>Cash flows from financing activities:</b>                  |             |                           |                           |
| Cash inflows from financing activities:                       |             |                           |                           |
| Proceeds from issuance of hybrid bonds                        | ₩           | -                         | 398,759                   |
| Proceeds from issuance of debentures                          |             | 796,768                   | 1,326,346                 |
| Cash inflows from settlement of derivatives                   |             | 11,931                    | -                         |
|   |             | <u>808,699</u>            | <u>1,725,105</u>          |
| Cash outflows for financing activities:                       |             |                           |                           |
| Repayments of long-term borrowings                            |             | (6,441)                   | (6,200)                   |
| Repayments of hybrid bonds                                    |             | -                         | (400,000)                 |
| Repayments of long-term payables – other                      |             | (425,349)                 | (302,867)                 |
| Repayments of debentures                                      |             | (390,000)                 | (1,036,550)               |
| Payments of cash dividends                                    |             | (718,698)                 | (706,091)                 |
| Payments of interest on hybrid bonds                          |             | (11,075)                  | (12,111)                  |
| Cash outflows from settlement of derivatives                  |             | -                         | (29,213)                  |
| Repayments of lease liabilities                               |             | (217,372)                 | -                         |
|   |             | <u>(1,768,935)</u>        | <u>(2,493,032)</u>        |
| <b>Net cash used in financing activities</b>                  |             | <b><u>(960,236)</u></b>   | <b><u>(767,927)</u></b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |             | <b>(619,691)</b>          | <b>178,144</b>            |
| Cash and cash equivalents at beginning of the period          |             | 877,823                   | 880,583                   |
| Effects of exchange rate changes on cash and cash equivalents |             | 1                         | (280)                     |
| <b>Cash and cash equivalents at end of the period</b>         | ₩           | <b><u>258,133</u></b>     | <b><u>1,058,447</u></b>   |

See accompanying notes to the condensed separate interim financial statements.

# SK TELECOM CO., LTD.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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 September 30, 2019, the Company’s total issued shares are held by the following shareholders:

|   | <u>Number of shares</u> | <u>Percentage of<br/>total shares issued (%)</u> |
|---|-------------------------|--|
| SK Holdings Co., Ltd.   | 21,624,120              | 26.78  |
| National Pension Service, institutional investors and other<br>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.

The Company’s applied K-IFRS No.1116, *Leases*, effective January 1, 2019. 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 nine-month periods ended September 30, 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.

For the nine-month periods ended September 30, 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 to 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 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 presented 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.

For the nine-month periods ended September 30, 2019 and 2018

**3. Significant Accounting Policies, Continued**

(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-lease 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 judgment 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.



## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**3. Significant Accounting Policies, Continued**

## (1) Changes in accounting policies, Continued

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)*

|   | <u>January 1, 2019</u> |
|---|------------------------|
| <b>Impacts on the assets:</b>                               |                        |
| Right-of-use assets presented in property and equipment     | ₩ 416,552              |
| Increase in accounts receivable – other (lease receivables) | 17,203                 |
| Adjustments in intangible assets                            | (2,274)                |
| Decrease in advanced payments and others                    | (53,608)               |
|   | <u>377,873</u>         |
| <b>Impacts on the liabilities:</b>                          |                        |
| Increase in the lease liabilities                           | 412,407                |
| Decrease in deferred tax liabilities                        | (9,305)                |
|   | <u>403,102</u>         |
| <b>Decrease in retained earnings</b>                        | <u>₩ (25,229)</u>      |

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**3. Significant Accounting Policies, Continued**

## (1) Changes in accounting policies, Continued

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

## 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 1.92%.

*(In millions of won)*

|  | <u>January 1, 2019</u> |
|--|------------------------|
| Operating lease commitments at December 31, 2018   | ₩ 428,142              |
| Discounted using the incremental borrowing rate at January 1, 2019                                       | 419,141                |
| - 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>₩ 412,407</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 ₩461,088 million of right-of-use assets and ₩444,417 million of lease liabilities as of September 30, 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 nine-month period ended September 30, 2019, the Company recognized ₩196,672 million of depreciation charges and ₩6,262 million of interest costs from those leases. Expenses related to short-term leases and leases of low-value assets are ₩56,666 million and ₩61 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.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

## 4. Trade and Other Receivables

(1) Details of trade and other receivables as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won)*

|  |   | <b>September 30, 2019</b> |                       |                        |
|--|---|---------------------------|-----------------------|------------------------|
|  |   | <b>Gross amount</b>       | <b>Loss allowance</b> | <b>Carrying amount</b> |
| Current assets:                          |   |                           |                       |                        |
| Accounts receivable – trade              | ₩ | 1,600,161                 | (111,779)             | 1,488,382              |
| Short-term loans                         |   | 69,104                    | (691)                 | 68,413                 |
| Accounts receivable – other(*)           |   | 649,106                   | (40,489)              | 608,617                |
| Accrued income                           |   | 581                       | -                     | 581                    |
|  |   | <u>2,318,952</u>          | <u>(152,959)</u>      | <u>2,165,993</u>       |
| Non-current assets:                      |   |                           |                       |                        |
| Long-term loans                          |   | 49,018                    | (41,115)              | 7,903                  |
| Long-term accounts receivable – other(*) |   | 533,909                   | -                     | 533,909                |
| Guarantee deposits                       |   | 187,729                   | -                     | 187,729                |
|  |   | <u>770,656</u>            | <u>(41,115)</u>       | <u>729,541</u>         |
|  | ₩ | <u>3,089,608</u>          | <u>(194,074)</u>      | <u>2,895,534</u>       |

(\*) Gross and carrying amounts of accounts receivable – other as of September 30, 2019 include ₩812,991 million of financial instruments classified as FVTPL.

*(In millions of won)*

|  |   | <b>December 31, 2018</b> |                       |                        |
|--|---|--------------------------|-----------------------|------------------------|
|  |   | <b>Gross amount</b>      | <b>Loss allowance</b> | <b>Carrying amount</b> |
| 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.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**4. Trade and Other Receivables, Continued**

- (2) Changes in the loss allowance on trade and other receivables measured at amortized costs for the nine-month periods ended September 30, 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>September 30, 2019</u> |
|-----------------------------|------------------------|-------------------|----------------------|---|---------------------------|
| Accounts receivable – trade | ₩ 119,842              | 2,770             | (18,407)             | 7,574   | 111,779                   |
| Accounts receivable – other | 92,084                 | 2,543             | (19,078)             | 6,746   | 82,295                    |
|                             | <u>₩ 211,926</u>       | <u>5,313</u>      | <u>(37,485)</u>      | <u>14,320</u>   | <u>194,074</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>September 30, 2018</u> |
|-----------------------------|------------------------|---|-------------------|----------------------|---|---------------------------|
| Accounts receivable – trade | ₩ 107,827              | 12,950                                    | 11,756            | (14,831)             | 8,121   | 125,823                   |
| Accounts receivable – other | 97,547                 | 99  | 2,438             | (7,794)              | 4,057   | 96,347                    |
|                             | <u>₩ 205,374</u>       | <u>13,049</u>                             | <u>14,194</u>     | <u>(22,625)</u>      | <u>12,178</u>   | <u>222,170</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 receivable – 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 classifies 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.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**5. Prepaid expenses**

(1) Details of prepaid expenses as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|  | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--|---------------------------|--------------------------|
| Current assets:                          |                           |                          |
| Incremental costs of obtaining contracts | ₩ 1,835,642               | 1,574,309                |
| Others                                   | 59,377                    | 113,925                  |
|  | <u>₩ 1,895,019</u>        | <u>1,688,234</u>         |
| Non-current assets:                      |                           |                          |
| Incremental costs of obtaining contracts | ₩ 1,087,606               | 724,233                  |
| Others                                   | 20,581                    | 28,948                   |
|  | <u>₩ 1,108,187</u>        | <u>753,181</u>           |

(2) Incremental costs of obtaining contracts

Incremental costs of obtaining contracts that are capitalized as assets as of September 30, 2019 and the related amortization recognized as commissions for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|  | <u>2019</u>                                      |   | <u>2018</u>                                      |   |
|--|--|---|--|---|
|  | <u>Three-month period<br/>ended September 30</u> | <u>Nine-month period<br/>ended September 30</u> | <u>Three-month period<br/>ended September 30</u> | <u>Nine-month period<br/>ended September 30</u> |
| Amortization<br>recognized as<br>commissions | ₩ 570,797  | 1,596,304                                       | 518,836  | 1,554,042                                       |

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.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**6. Contract assets and liabilities**

(1) Details of contract assets and liabilities as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|   | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|---|---------------------------|--------------------------|
| Contract assets:  |                           |                          |
| Allocation of consideration between performance obligations | ₩ 13,487                  | 7,531                    |
| Contract liabilities:                                       |                           |                          |
| Wireless service contracts                                  | 15,573                    | 18,425                   |
| Customer loyalty programs                                   | 23,016                    | 17,113                   |
| Others  | 43,322                    | 18,895                   |
|   | <u>₩ 81,911</u>           | <u>54,433</u>            |

(2) The amount of revenue recognized for the nine-month period ended September 30, 2019 related to the contract liabilities carried forward from the prior period is ₩32,920 million.

**7. Investment Securities**

(1) Details of short-term investment securities as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                          | <u>Category</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--------------------------|-----------------|---------------------------|--------------------------|
| Beneficiary certificates | FVTPL           | ₩ 48,226                  | 47,849                   |

(2) Details of long-term investment securities as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                    | <u>Category</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--------------------|-----------------|---------------------------|--------------------------|
| Equity instruments | FVOCI(*)        | ₩ 105,831                 | 333,161                  |
| Debt instruments   | FVTPL           | 77,887                    | 77,511                   |
|                    |                 | <u>₩ 183,718</u>          | <u>410,672</u>           |

(\*) The Company designated ₩105,831 million of equity instruments that are not held for trading as financial assets at FVOCI. During the nine-month period ended September 30, 2019, the Company disposed 6,109,000 shares of the common shares issued by Hana Financial Group Inc. in exchange for ₩221,146 million in cash. The valuation gain on financial assets at FVOCI of ₩30,073 million was reclassified from reserves to retained earnings.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

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

(1) Investments in subsidiaries, associates and joint ventures as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|  | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--|---------------------------|--------------------------|
| Investments in subsidiaries                  | ₩ 5,432,591               | 5,286,601                |
| Investments in associates and joint ventures | 5,150,701                 | 4,902,313                |
|  | <u>₩ 10,583,292</u>       | <u>10,188,914</u>        |

(2) Details of investments in subsidiaries as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

|  | <u>September 30, 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<br>(Formerly, IRIVER LIMITED)(*1)                | 29,246,387                | 52.0                 | 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(*2)   | -                         | 100.0                | 127,920                  | 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(*3)  | 69,157,505                | 66.8                 | 94,065                   | 81,902                 |
| SK Infosec Co., Ltd.   | 12,636,024                | 100.0                | 44,410                   | 44,410                 |
| SK Telecom TMT Investment Corp.(*4)                              | 30,000                    | 100.0                | 33,834                   | -                      |
| FSK L&S Co., Ltd.(*5)  | 2,415,750                 | 60.0                 | 17,757                   | -                      |
| Incross Co., Ltd.(*6)  | 2,786,455                 | 34.6                 | 53,722                   | -                      |
| SK O&S Co., Ltd.<br>(Formerly, Network O&S Co., Ltd.) and others | -                         | -                    | 48,600                   | 47,790                 |
|  |                           |                      | <u>₩ 5,432,591</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 nine-month period ended September 30, 2019.

(\*2) The Company invested ₩28,046 million in cash for the nine-month period ended September 30, 2019.

(\*3) The ownership has changed due to an unequal paid-in capital increase during the nine-month period ended September 30, 2019. Also, the Company invested additional ₩12,163 million in cash during the nine-month period ended September 30, 2019.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

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

(2) Details of investments in subsidiaries as of September 30, 2019 and December 31, 2018 are as follows, Continued:

(\*4) SK Telecom TMT Investment Corp. was newly established during the nine-month period ended September 30, 2019.

(\*5) FSK L&S Co., Ltd. was reclassified as a subsidiary from an associate during the nine-month period ended September 30, 2019.

(\*6) The Company acquired 2,786,455 shares of Incross Co., Ltd. at ₩53,722 million in cash for the nine-month period ended September 30, 2019 in order to expand digital advertising business through the integration of the Company's technological capabilities. Although the Company owns less than 50% of the investee, the management has determined that the Company controls Incross Co., Ltd. considering the level of dispersion of remaining voting rights and voting patterns at previous shareholders' meetings, and the fact that the Company has a right to appoint the majority of the members of board of directors by the virtue of an agreement with the investee's other shareholders.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

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

(3) Details of investments in associates and joint ventures as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

|   | September 30,<br>2019 |               | December 31,<br>2018 |                 |
|---|-----------------------|---------------|----------------------|-----------------|
|   | Number of shares      | Ownership (%) | Carrying amount      | Carrying amount |
| <b>Investments in associates:</b>           |                       |               |                      |                 |
| 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               | -               |
| Carrot Co., Ltd.(*2,5)                      | 1,360,000             | 9.9           | 6,800                | -               |
| Contents Wavve Co., Ltd.(*6)                | 1,306,286             | 30.0          | 90,858               | -               |
| Health Connect Co., Ltd. and others         | -                     | -             | 51,450               | 69,207          |
|   |                       |               | ₩ 5,101,621          | 4,877,733       |
| <b>Investment in a joint venture:</b>       |                       |               |                      |                 |
| Finnq Co., Ltd.(*7)                         | 6,370,000             | 49.0          | ₩ 49,080             | 24,580          |
|   |                       |               | ₩ 5,150,701          | 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2019.

(\*5) The Company newly invested ₩6,800 million in cash for the nine-month period ended September 30, 2019.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

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

(3) Details of investments in associates and joint ventures as of September 30, 2019 and December 31, 2018 are as follows, Continued:

(\*6) The Company newly invested ₩90,858 million in cash for the nine-month period ended September 30, 2019.

(\*7) This investment was classified as investment in a joint venture as the Company has joint control pursuant to the agreement with the other shareholders. The Company invested additional ₩24,500 million in cash during the nine-month period ended September 30, 2019.

(4) The market value of investments in listed subsidiaries as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won, except for share data)*

|   | September 30, 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<br>(Formerly,<br>RIVER LIMITED) | ₩ 5,740                         | 29,246,387       | 167,874      | 6,760                           | 29,246,387       | 197,706      |
| Incross Co., Ltd.                               | 21,850                          | 2,786,455        | 60,884       | -                               | -                | -            |

(5) The market value of investments in listed associates as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won, except for share data)*

|                                 | September 30, 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.                 | ₩ 4,460                         | 7,600,649        | 33,899       | 4,235                           | 7,600,649        | 32,189       |
| SK hynix Inc.                   | 82,200                          | 146,100,000      | 12,009,420   | 60,500                          | 146,100,000      | 8,839,050    |
| SM Culture & Contents Co., Ltd. | 1,410                           | 22,033,898       | 31,068       | 2,020                           | 22,033,898       | 44,508       |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

9. Property and Equipment

(1) Details of the changes in property and equipment for the nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|                          | For the nine-month period ended September 30, 2019 |                                    |             |           |           |              |                |
|--------------------------|--|------------------------------------|-------------|-----------|-----------|--------------|----------------|
|                          | Beginning balance                                  | Impact of adopting K-IFRS No. 1116 | Acquisition | Disposal  | Transfer  | Depreciation | Ending balance |
| Land                     | ₩ 544,419  | -                                  | 1,568       | (3)       | 33,670    | -            | 579,654        |
| Buildings                | 537,000  | -                                  | 1,753       | (433)     | 33,312    | (28,871)     | 542,761        |
| Structures               | 355,739  | -                                  | 7,521       | -         | 7,289     | (26,993)     | 343,556        |
| Machinery                | 4,382,375  | -                                  | 111,451     | (5,853)   | 1,367,576 | (1,176,973)  | 4,678,576      |
| Right-of-use assets      | -  | 416,552                            | 343,613     | (102,405) | -         | (196,672)    | 461,088        |
| Other                    | 617,837  | -                                  | 974,990     | (990)     | (968,060) | (72,615)     | 551,162        |
| Construction in progress | 506,120  | -                                  | 447,877     | (744)     | (509,428) | -            | 443,825        |
|                          | ₩ 6,943,490  | 416,552                            | 1,888,773   | (110,428) | (35,641)  | (1,502,124)  | 7,600,622      |

(In millions of won)

|                          | For the nine-month period ended September 30, 2018 |             |          |           |              |                |
|--------------------------|--|-------------|----------|-----------|--------------|----------------|
|                          | Beginning balance                                  | Acquisition | Disposal | Transfer  | Depreciation | Ending balance |
| Land                     | ₩ 525,572  | 2,418       | (29)     | 8,275     | -            | 536,236        |
| Buildings                | 546,872  | 485         | (1,330)  | 20,794    | (27,898)     | 538,923        |
| Structures               | 376,755  | 4,762       | (26)     | 3,275     | (27,018)     | 357,748        |
| Machinery                | 4,648,331  | 94,028      | (22,505) | 727,391   | (1,216,619)  | 4,230,626      |
| Other                    | 448,203  | 371,690     | (1,479)  | (352,718) | (75,622)     | 390,074        |
| Construction in progress | 377,400  | 401,888     | (3,466)  | (493,534) | -            | 282,288        |
|                          | ₩ 6,923,133  | 875,271     | (28,835) | (86,517)  | (1,347,157)  | 6,335,895      |

(2) Details of the right-of-use assets as of September 30, 2019 and January 1, 2019 are as follows:

(In millions of won)

|                                | September 30, 2019 | January 1, 2019 |
|--------------------------------|--------------------|-----------------|
| Land, Buildings and Structures | ₩ 397,619          | 335,481         |
| Other                          | 63,469             | 81,071          |
|                                | ₩ 461,088          | 416,552         |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

10. Intangible Assets

(1) Details of the changes in intangible assets for the nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|                        |                   | For the nine-month period ended September 30, 2019 |             |          |          |              |            |                |
|------------------------|-------------------|--|-------------|----------|----------|--------------|------------|----------------|
|                        | Beginning balance | Impact of adopting K-IFRS No. 1116                 | Acquisition | Disposal | Transfer | Amortization | Impairment | Ending balance |
| Frequency usage rights | ₩ 3,139,978       | -  | -           | -        | -        | (361,983)    | -          | 2,777,995      |
| Land usage rights      | 6,498             | -  | 1,484       | -        | -        | (2,202)      | -          | 5,780          |
| Industrial rights      | 15,300            | -  | 759         | (219)    | -        | (2,164)      | -          | 13,676         |
| Facility usage rights  | 16,008            | -  | 1,465       | (12)     | 172      | (2,080)      | -          | 15,553         |
| Club memberships       | 47,411            | -  | 1,113       | (850)    | -        | -            | (63)       | 47,611         |
| Other                  | 785,669           | (2,274)  | 19,811      | (2,062)  | 68,402   | (213,623)    | -          | 655,923        |
|                        | ₩ 4,010,864       | (2,274)  | 24,632      | (3,143)  | 68,574   | (582,052)    | (63)       | 3,516,538      |

(In millions of won)

|                        |                   | For the nine-month period ended September 30, 2018 |          |          |              |                |  |
|------------------------|-------------------|--|----------|----------|--------------|----------------|--|
|                        | Beginning balance | Acquisition  | Disposal | Transfer | Amortization | Ending balance |  |
| Frequency usage rights | ₩ 2,176,940       | -  | -        | -        | (302,916)    | 1,874,024      |  |
| Land usage rights      | 7,858             | 1,860  | (49)     | 405      | (2,944)      | 7,130          |  |
| Industrial rights      | 12,899            | 4,216  | (716)    | -        | (2,585)      | 13,814         |  |
| Facility usage rights  | 16,456            | 1,472  | (35)     | 99       | (2,059)      | 15,933         |  |
| Club memberships       | 44,843            | 1,237  | (25)     | -        | -            | 46,055         |  |
| Other                  | 830,549           | 12,630   | (1,400)  | 115,188  | (211,458)    | 745,509        |  |
|                        | ₩ 3,089,545       | 21,415   | (2,225)  | 115,692  | (521,962)    | 2,702,465      |  |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**10. Intangible Assets, Continued**

(2) Details of frequency usage rights as of September 30, 2019 are as follows:

*(In millions of won)*

|                   | <b>Amount</b>      | <b>Description</b>     | <b>Commencement of<br/>amortization</b> | <b>Completion of<br/>amortization</b> |
|-------------------|--------------------|------------------------|---|---------------------------------------|
| 800MHz license    | ₩ 70,952           | CDMA and LTE service   | Jul. 2011                               | Jun. 2021                             |
| 1.8GHz license    | 282,645            | LTE service            | Sept. 2013                              | Dec. 2021                             |
| 2.6GHz license    | 880,285            | LTE service            | Sept. 2016                              | Dec. 2026                             |
| 2.1GHz license    | 237,407            | W-CDMA and LTE service | Dec. 2016                               | Dec. 2021                             |
| 3.5GHz license(*) | 1,104,023          | 5G service             | Apr. 2019                               | Nov. 2028                             |
| 28GHz license(*)  | 202,683            | 5G service             | -                                       | Nov. 2023                             |
|                   | <u>₩ 2,777,995</u> |                        |   |                                       |

(\*) The Company participated in the frequency usage rights allocation auction hosted by Ministry of Science and Information and Communication Technology (ICT) and was assigned the 3.5GHz and 28GHz bands of frequency 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 usage rights as intangible assets at the date of initial lump sum payment and began amortization for 3.5GHz license in April 2019. The amortization for 28GHz license will begin when it is in the condition necessary for it to be capable of operating in the manner intended by management.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**11. Borrowings and Debentures**

(1) Changes in borrowings for the nine-month period ended September 30, 2019 are as follows:

(In millions of won)

|                          | <u>Lender</u>           | <u>Annual interest<br/>rate(%)</u> | <u>Maturity</u> | <u>Book value</u> |
|--------------------------|-------------------------|------------------------------------|-----------------|-------------------|
| Current                  |                         |                                    |                 | ₩ 12,630          |
| Non-current              |                         |                                    |                 | <u>31,764</u>     |
| As of January 1, 2019    |                         |                                    |                 | <u>44,394</u>     |
| Borrowings repaid        | Export<br>Kreditnamnden | 1.70                               | Apr. 29, 2022   | (6,441)           |
| Other changes(*1):       |                         |                                    |                 | 3,069             |
| Current(*2)              |                         |                                    |                 | 13,686            |
| Non-current(*2)          |                         |                                    |                 | <u>27,336</u>     |
| As of September 30, 2019 |                         |                                    |                 | <u>₩ 41,022</u>   |

(\*1) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and changes in present value discount for the nine-month period ended September 30, 2019.

(\*2) ₩6,540 million were transferred from non-current to current for the nine-month period ended September 30, 2019.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

11. Borrowings and Debentures, Continued

(2) Changes in debentures for the nine-month period ended September 30, 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            |
|                           | Operating and refinancing fund | 1.40                           | Jul. 29, 2022   |                  | 120,000           | 119,487           |
|                           |                                | 1.49                           | Jul. 29, 2024   |                  | 60,000            | 59,760            |
|                           |                                | 1.50                           | Jul. 29, 2029   |                  | 120,000           | 119,552           |
|                           |                                | 1.52                           | Jul. 29, 2039   |                  | 50,000            | 49,812            |
|                           |                                | 1.56                           | Jul. 29, 2049   |                  | 50,000            | 49,812            |
|                           |                                |                                |                 |                  | ₩                 | <u>800,000</u>    |
| Debentures repaid:        |                                |                                |                 |                  |                   |                   |
| Unsecured corporate bonds | Operating and refinancing fund | 3.24                           | Aug. 28, 2019   | ₩                | (170,000)         | (170,000)         |
|                           |                                | 3.30                           | May 14, 2019    |                  | (50,000)          | (50,000)          |
|                           | Operating fund                 | 4.72                           | May 14, 2029    |                  | (61,757)          | (61,757)          |
|                           |                                | 1.65                           | Mar. 4, 2019    |                  | (70,000)          | (70,000)          |
|                           |                                | 1.62                           | Jun. 3, 2019    |                  | (50,000)          | (50,000)          |
|                           |                                |                                |                 | <u>(401,757)</u> | <u>(401,757)</u>  |                   |
| Other changes(*1):        |                                |                                |                 |                  |                   |                   |
| Current(*2)               |                                |                                |                 |                  | 99,784            | 102,468           |
| Non-current(*2)           |                                |                                |                 |                  | 580,390           | 580,200           |
| As of September 30, 2019  |                                |                                |                 | ₩                | <u>6,241,560</u>  | <u>6,220,091</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 nine-month period ended September 30, 2019.

(\*2) ₩420,452 million were transferred from non-current to current for the nine-month period ended September 30, 2019.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**12. Long-term Payables – other**

- (1) As of September 30, 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)*

|  | <b>September 30,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|-------------------------------|------------------------------|
| Long-term payables – other                           | ₩ 2,051,389                   | 2,476,738                    |
| Present value discount on long-term payables – other | (90,335)                      | (113,772)                    |
| Current installments of long-term payables – other   | (422,117)                     | (423,884)                    |
| Carrying amount at period end                        | <u>₩ 1,538,937</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 nine-month period ended September 30, 2019. The repayment schedule of the principal amount of long-term payables – other as of September 30, 2019 is as follows:

*(In millions of won)*

|                   | <b>Amount</b>      |
|-------------------|--------------------|
| 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> |



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

13. Provisions

Changes in provisions for the nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|                    | For the nine-month period ended September 30, 2019 |          |             |          |                | As of September 30, 2019 |             |
|--------------------|--|----------|-------------|----------|----------------|--------------------------|-------------|
|                    | Beginning balance                                  | Increase | Utilization | Reversal | Ending balance | Current                  | Non-current |
|                    | Provision for restoration                          | ₩ 59,548 | 2,597       | (524)    | (467)          | 61,154                   | 44,892      |
| Emission allowance | 2,238  | 3,495    | (1,085)     | (932)    | 3,716          | 3,716                    | -           |
|                    | ₩ 61,786   | 6,092    | (1,609)     | (1,399)  | 64,870         | 48,608                   | 16,262      |

(In millions of won)

|                           | For the nine-month period ended September 30, 2018 |          |             |          |                | As of September 30, 2018 |             |
|---------------------------|--|----------|-------------|----------|----------------|--------------------------|-------------|
|                           | Beginning balance                                  | Increase | Utilization | Reversal | Ending balance | Current                  | Non-current |
|                           | Provision for installment of handset subsidy       | ₩ 3,874  | -           | (1,075)  | (2,799)        | -                        | -           |
| Provision for restoration | 56,162   | 3,656    | (621)       | (456)    | 58,741         | 42,928                   | 15,813      |
| Emission allowance        | 4,650  | 2,896    | (1,334)     | (3,306)  | 2,906          | 2,906                    | -           |
|                           | ₩ 64,686   | 6,552    | (3,030)     | (6,561)  | 61,647         | 45,834                   | 15,813      |

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**14. Defined Benefit Liabilities (Assets)**

(1) Details of defined benefit liabilities (assets) as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won)*

|  | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--|---------------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 366,787                 | 332,044                  |
| Fair value of plan assets                    | (366,469)                 | (363,878)                |
|  | <u>₩ 318</u>              | <u>(31,834)</u>          |

(2) Changes in defined benefit obligations for the nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|                                  | <u>For the nine-month period ended</u> |                           |
|----------------------------------|--|---------------------------|
|                                  | <u>September 30, 2019</u>              | <u>September 30, 2018</u> |
| Beginning balance                | ₩ 332,044                              | 278,778                   |
| Current service cost             | 33,951                                 | 30,684                    |
| Interest cost                    | 6,360                                  | 6,507                     |
| Remeasurement                    |  |                           |
| - Adjustment based on experience | 2,000                                  | 3,808                     |
| Benefit paid                     | (11,610)                               | (6,513)                   |
| Others                           | 4,042                                  | 3,566                     |
| Ending balance                   | <u>₩ 366,787</u>                       | <u>316,830</u>            |

(3) Changes in plan assets for the nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|                   | <u>For the nine-month period ended</u> |                           |
|-------------------|--|---------------------------|
|                   | <u>September 30, 2019</u>              | <u>September 30, 2018</u> |
| Beginning balance | ₩ 363,878                              | 318,860                   |
| Interest income   | 6,773                                  | 7,144                     |
| Remeasurement     | (526)                                  | (1,968)                   |
| Contribution      | 20,000                                 | 9,000                     |
| Benefit paid      | (21,868)                               | (16,155)                  |
| Others            | (1,788)                                | 5,938                     |
| Ending balance    | <u>₩ 366,469</u>                       | <u>322,819</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 nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|                      | <u>For the nine-month period ended</u> |                           |
|----------------------|--|---------------------------|
|                      | <u>September 30, 2019</u>              | <u>September 30, 2018</u> |
| Current service cost | ₩ 33,951                               | 30,684                    |
| Net interest income  | (413)                                  | (637)                     |
|                      | <u>₩ 33,538</u>                        | <u>30,047</u>             |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**15. Share Capital and Capital Surplus and Others**

- (1) The Company's outstanding share capital consists entirely of common shares with a par value of ₩500. The number of authorized, issued and outstanding common shares and the details of capital surplus and others as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won, except for share data)*

|                             | <u>September 30, 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)       | 1,235                     | 1,007                    |
| Others                      | (920,854)                 | (920,854)                |
|                             | <u>₩ 415,552</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 nine-month periods ended September 30, 2019 and 2018 and details of shares outstanding as of September 30, 2019 and 2018 are as follows:

*(In shares)*

|                    | <u>September 30, 2019</u> |                        |                           | <u>September 30, 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                |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

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 ~<br>Mar. 24, 2022     | Mar. 25, 2020 ~<br>Mar. 24, 2023     | Mar. 25, 2021 ~<br>Mar. 24, 2024     | Feb. 21, 2020 ~<br>Feb. 20, 2023     | Feb. 23, 2021 ~<br>Feb. 22, 2024            | Mar. 27, 2021 ~<br>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 nine-month period ended September 30, 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 nine-month period ended September 30, 2019        | 228                        |
| In subsequent periods                                     | 249                        |
|   | ₩ 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:

(In won)

|   | 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<br>(Closing price on the preceding day) | 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                                      | 246,750 | 266,490 | 287,810 | 254,120 | 265,260 | 254,310 |
| Per share fair value of the option                  | 27,015  | 20,240  | 15,480  | 23,988  | 8,600   | 8,111   |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**17. Retained Earnings**

Retained earnings as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                                    | <u>September 30, 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                     | 889,312                   | 2,593,031                |
|                                    | <u>₩ 16,708,070</u>       | <u>16,467,789</u>        |

**18. Reserves**

(1) Details of reserves, net of taxes, as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                                | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|--------------------------------|---------------------------|--------------------------|
| Valuation gain (loss) on FVOCI | ₩ (40,734)                | 2,047                    |
| Valuation loss on derivatives  | (11,441)                  | (42,312)                 |
|                                | <u>₩ (52,175)</u>         | <u>(40,265)</u>          |

(2) Changes in reserves for the nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|                                      | <u>Valuation gain (loss)<br/>on financial assets at<br/>FVOCI</u> | <u>Valuation gain (loss) on<br/>available-for-sale<br/>financial assets</u> | <u>Valuation gain (loss)<br/>on derivatives</u> | <u>Total</u>    |
|--------------------------------------|---|---|---|-----------------|
| Balance at December 31, 2017         | ₩ -   | 148,873   | (70,572)  | 78,301          |
| Impact of adopting K-IFRS<br>No.1109 | 90,484  | (148,873)   | -   | (58,389)        |
| Balance at January 1, 2018           | 90,484  | -   | (70,572)  | 19,912          |
| Changes, net of taxes                | (26,895)  | -   | (14,254)  | (41,149)        |
| Balance at September 30, 2018        | <u>63,589</u>   | <u>-</u>  | <u>(84,826)</u>                                 | <u>(21,237)</u> |
| Balance at January 1, 2019           | 2,047   | -   | (42,312)  | (40,265)        |
| Changes, net of taxes                | (42,781)  | -   | 30,871  | (11,910)        |
| Balance at September 30, 2019        | <u>₩ (40,734)</u>   | <u>-</u>  | <u>(11,441)</u>                                 | <u>(52,175)</u> |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**19. Operating revenue**

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)

|  | 2019                                  |                                      | 2018                                  |                                      |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|  | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Products transferred at a point in time: |                                       |                                      |                                       |                                      |
| Product sales                            | ₩ 24,245                              | 68,349                               | 36,688                                | 106,655                              |
| Services transferred over time:          |                                       |                                      |                                       |                                      |
| Wireless service revenue(*1)             | 2,486,354                             | 7,334,826                            | 2,484,567                             | 7,551,174                            |
| Cellular interconnection revenue         | 126,400                               | 386,057                              | 155,901                               | 462,837                              |
| Other(*2)                                | 274,551                               | 782,243                              | 248,416                               | 735,279                              |
|  | <u>2,887,305</u>                      | <u>8,503,126</u>                     | <u>2,888,884</u>                      | <u>8,749,290</u>                     |
|  | <u>₩ 2,911,550</u>                    | <u>8,571,475</u>                     | <u>2,925,572</u>                      | <u>8,855,945</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 and nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|   | 2019                                  |                                      | 2018                                  |                                      |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|   | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Communication   | ₩ 8,018                               | 22,926                               | 7,080                                 | 21,244                               |
| Utilities   | 69,157                                | 182,157                              | 62,597                                | 170,150                              |
| Taxes and dues  | 3,399                                 | 20,221                               | 2,601                                 | 18,452                               |
| Repair  | 62,217                                | 183,748                              | 65,080                                | 181,754                              |
| Research and development  | 77,212                                | 238,497                              | 78,623                                | 229,807                              |
| Training  | 8,439                                 | 20,297                               | 8,030                                 | 19,723                               |
| Bad debt (Reversal of loss allowance) for accounts receivable – trade | (253)                                 | 2,770                                | 3,163                                 | 11,756                               |
| Other   | 10,006                                | 32,745                               | 10,404                                | 32,228                               |
|   | <u>₩ 238,195</u>                      | <u>703,361</u>                       | <u>237,578</u>                        | <u>685,114</u>                       |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**21. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|   | 2019  |  | 2018  |  |
|---|---|--|---|--|
|   | Three-month<br>period ended<br>September 30 | Nine-month<br>period ended<br>September 30 | Three-month<br>period ended<br>September 30 | Nine-month<br>period ended<br>September 30 |
| <b>Other non-operating Income:</b>                                  |   |  |   |  |
| Gain on disposal of property and equipment<br>and intangible assets | ₩ 1,910                                     | 4,609                                      | 520   | 1,520                                      |
| Others  | 2,938                                       | 7,708                                      | 2,053                                       | 17,547                                     |
|   | <u>₩ 4,848</u>                              | <u>12,317</u>                              | <u>2,573</u>                                | <u>19,067</u>                              |
| <b>Other non-operating Expenses:</b>                                |   |  |   |  |
| Loss on disposal of property and equipment<br>and intangible assets | ₩ 2,930                                     | 10,574                                     | 9,704                                       | 25,683                                     |
| Donations   | 2,916                                       | 12,809                                     | 12,409                                      | 40,559                                     |
| Bad debt for accounts receivable – other                            | 895   | 2,543                                      | 940   | 2,438                                      |
| Others  | 1,124                                       | 6,631                                      | 2,597                                       | 4,974                                      |
|   | <u>₩ 7,865</u>                              | <u>32,557</u>                              | <u>25,650</u>                               | <u>73,654</u>                              |

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**22. Finance Income and Costs**

- (1) Details of finance income and costs for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|   | 2019                                  |                                      | 2018                                  |                                      |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|   | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| <b>Finance Income:</b>                          |                                       |                                      |                                       |                                      |
| Interest income                                 | ₩ 11,338                              | 26,157                               | 6,389                                 | 30,673                               |
| Gain on sale of accounts receivable – other     | 2,366                                 | 14,353                               | 9,202                                 | 17,341                               |
| Dividends                                       | 218                                   | 514,399                              | 14,572                                | 177,490                              |
| Gain on foreign currency transactions           | 1,833                                 | 6,245                                | 3,251                                 | 11,720                               |
| Gain on foreign currency translations           | 1,807                                 | 3,717                                | -                                     | 894                                  |
| Gain relating to financial assets at FVTPL      | 716                                   | 840                                  | 487                                   | 2,179                                |
| Gain relating to financial liabilities at FVTPL | -                                     | 56                                   | -                                     | -                                    |
| Gain on valuation of derivatives                | -                                     | 465                                  | 526                                   | 1,423                                |
| Gain on settlement of derivatives               | -                                     | 389                                  | -                                     | -                                    |
|   | ₩ <u>18,278</u>                       | <u>566,621</u>                       | <u>34,427</u>                         | <u>241,720</u>                       |
| <b>Finance Costs:</b>                           |                                       |                                      |                                       |                                      |
| Interest expenses                               | ₩ 60,995                              | 186,878                              | 55,340                                | 173,723                              |
| Loss on foreign currency transactions           | 2,629                                 | 6,601                                | 2,113                                 | 10,763                               |
| Loss on foreign currency translations           | 1,432                                 | 3,347                                | 1,260                                 | 615                                  |
| Loss on sale of accounts receivable – other     | -                                     | 560                                  | -                                     | -                                    |
| Loss relating to financial assets at FVTPL      | -                                     | 180                                  | 11                                    | 589                                  |
| Loss relating to financial liabilities at FVTPL | -                                     | 43                                   | 363                                   | 1,143                                |
| Loss on settlement of derivatives               | -                                     | 317                                  | -                                     | 12,156                               |
|   | ₩ <u>65,056</u>                       | <u>197,926</u>                       | <u>59,087</u>                         | <u>198,989</u>                       |

- (2) Details of interest income included in finance income for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|  | 2019                                  |                                      | 2018                                  |                                      |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|  | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Interest income on cash equivalents and short-term financial instruments | ₩ 2,789                               | 8,381                                | 4,569                                 | 12,208                               |
| Interest income on loans and others                                      | 8,549                                 | 17,776                               | 1,820                                 | 18,465                               |
|  | ₩ <u>11,338</u>                       | <u>26,157</u>                        | <u>6,389</u>                          | <u>30,673</u>                        |



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**22. Finance Income and Costs, Continued**

- (3) Details of interest expenses included in finance costs for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|                                 | 2019                                  |                                      | 2018                                  |                                      |
|---------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|                                 | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Interest expenses on borrowings | ₩ 1,526                               | 4,429                                | 286                                   | 3,108                                |
| Interest expenses on debentures | 45,455                                | 134,778                              | 43,672                                | 134,650                              |
| Others                          | 14,014                                | 47,671                               | 11,382                                | 35,965                               |
|                                 | ₩ <u>60,995</u>                       | <u>186,878</u>                       | <u>55,340</u>                         | <u>173,723</u>                       |

- (4) Details of impairment losses (reversal of impairment loss) on financial assets for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|                             | 2019                                  |                                      | 2018                                  |                                      |
|-----------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|                             | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Accounts receivable – trade | ₩ (253)                               | 2,770                                | 3,163                                 | 11,756                               |
| Other receivables           | 895                                   | 2,543                                | 940                                   | 2,438                                |
|                             | ₩ <u>642</u>                          | <u>5,313</u>                         | <u>4,103</u>                          | <u>14,194</u>                        |

**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.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**24. Earnings per Share**

## (1) Basic earnings per share

1) Basic earnings per share for the three and nine-month periods ended September 30, 2019 and 2018 are calculated as follows:

*(In millions of won, except for share data)*

|  | 2019                                  |                                      | 2018                                  |                                      |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|  | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Profit for the period                                | ₩ 161,088                             | 967,095                              | 183,322                               | 767,535                              |
| Interest on hybrid bonds                             | (3,692)                               | (11,075)                             | (3,691)                               | (12,111)                             |
| Profit for the period available for common shares    | 157,396                               | 956,020                              | 179,631                               | 755,424                              |
| Weighted average number of common shares outstanding | 71,869,828                            | 71,869,828                           | 70,609,160                            | 70,609,160                           |
| Basic earnings per share (in won)                    | ₩ 2,190                               | 13,302                               | 2,544                                 | 10,699                               |

2) The weighted average number of common shares outstanding for the nine-month periods ended September 30, 2019 and 2018 are calculated as follows:

*(In shares)*

|  | Number of shares | Weighted number of shares             |                                      |
|--|------------------|---------------------------------------|--------------------------------------|
|  |                  | Three-month period ended September 30 | Nine-month period ended September 30 |
| Issued common shares at January 1, 2019                                    | 80,745,711       | 80,745,711                            | 80,745,711                           |
| Effect of treasury shares  | (8,875,883)      | (8,875,883)                           | (8,875,883)                          |
| Weighted average number of common shares outstanding at September 30, 2019 | 71,869,828       | 71,869,828                            | 71,869,828                           |

*(In shares)*

|  | Number of shares | Weighted number of shares             |                                      |
|--|------------------|---------------------------------------|--------------------------------------|
|  |                  | Three-month period ended September 30 | Nine-month period ended September 30 |
| Issued common shares at January 1, 2018                                    | 80,745,711       | 80,745,711                            | 80,745,711                           |
| Effect of treasury shares  | (10,136,551)     | (10,136,551)                          | (10,136,551)                         |
| Weighted average number of common shares outstanding at September 30, 2018 | 70,609,160       | 70,609,160                            | 70,609,160                           |

## (2) Diluted earnings per share

For the nine-month periods ended September 30, 2019 and 2018, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

25. Categories of Financial Instruments

(1) Financial assets by category as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                                    | September 30, 2019        |                             |                                    |                                |                  |
|------------------------------------|---------------------------|-----------------------------|------------------------------------|--------------------------------|------------------|
|                                    | Financial assets at FVTPL | Equity instruments at FVOCI | Financial assets at amortized cost | Derivatives-hedging instrument | Total            |
| Cash and cash equivalents          | ₩ -                       | -                           | 258,133                            | -                              | 258,133          |
| Financial instruments              | -                         | -                           | 169,382                            | -                              | 169,382          |
| Short-term investment securities   | 48,226                    | -                           | -                                  | -                              | 48,226           |
| Long-term investment securities(*) | 77,887                    | 105,831                     | -                                  | -                              | 183,718          |
| Accounts receivable – trade        | -                         | -                           | 1,488,382                          | -                              | 1,488,382        |
| Loans and other receivables        | 812,991                   | -                           | 594,161                            | -                              | 1,407,152        |
| Derivative financial assets        | -                         | -                           | -                                  | 176,554                        | 176,554          |
|                                    | ₩ <u>939,104</u>          | <u>105,831</u>              | <u>2,510,058</u>                   | <u>176,554</u>                 | <u>3,731,547</u> |

(\*) The Company designated ₩105,831 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           |
|                                    | ₩ <u>621,632</u>          | <u>333,161</u>              | <u>2,885,513</u>                   | <u>39,858</u>                  | <u>3,880,164</u> |

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**25. Categories of Financial Instruments, Continued**

(2) Financial liabilities by category as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won)*

|                                     | <b>September 30, 2019</b>                      |                   |
|-------------------------------------|--|-------------------|
|                                     | <b>Financial liabilities at amortized cost</b> |                   |
| Borrowings                          | ₩  | 41,022            |
| Debentures                          |  | 6,220,091         |
| Lease liabilities                   |  | 444,417           |
| Accounts payable – other and others |  | 5,095,260         |
|                                     | ₩  | <u>11,800,790</u> |

*(In millions of won)*

|                                     | <b>December 31, 2018</b>              |  |                                       |                   |
|-------------------------------------|---------------------------------------|--|---------------------------------------|-------------------|
|                                     | <b>Financial liabilities at FVTPL</b> | <b>Financial liabilities at amortized cost</b> | <b>Derivatives-hedging instrument</b> | <b>Total</b>      |
| 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         |
|                                     | ₩ <u>61,813</u>                       | <u>10,886,222</u>                              | <u>1,107</u>                          | <u>10,949,142</u> |

(\*) 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.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

## 26. Financial Risk Management

### (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 September 30, 2019 are as follows:

*(In millions of won, thousands of foreign currencies)*

|        | Assets             |                | Liabilities        |                  |
|--------|--------------------|----------------|--------------------|------------------|
|        | Foreign currencies | Won equivalent | Foreign currencies | Won equivalent   |
| USD    | 24,285 ₩           | 29,173         | 1,226,873 ₩        | 1,473,842        |
| EUR    | 2,582              | 3,395          | -                  | -                |
| JPY    | 14,698             | 164            | -                  | -                |
| Others | -                  | 167            | -                  | -                |
|        | ₩                  | <u>32,899</u>  | ₩                  | <u>1,473,842</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 September 30, 2019, a hypothetical change in exchange rates by 10% would have increased (reduced) the Company's profit before income taxes as follows:

*(In millions of won)*

|        | If increased by 10% | If decreased by 10% |
|--------|---------------------|---------------------|
| USD    | ₩ 2,844             | (2,844)             |
| EUR    | 340                 | (340)               |
| JPY    | 16                  | (16)                |
| Others | 17                  | (17)                |
|        | ₩ <u>3,217</u>      | <u>(3,217)</u>      |

**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 September 30, 2019, floating-rate debentures amount to ₩360,390 million, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. Therefore, profit before income taxes for the nine-month period ended September 30, 2019 would not have been affected by the changes in interest rates of floating-rate debenture.

As of September 30, 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, profit before income taxes for the period ended September 30, 2019, would change by ₩15,386 million in relation to floating-rate long-term payables – other that are exposed to interest rate risk.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**26. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 2) Credit risk

The maximum credit exposure as of September 30, 2019 and December 31, 2018 are as follows:

*(In millions of won)*

|                             | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|-----------------------------|---------------------------|--------------------------|
| Cash and cash equivalents   | ₩ 258,082                 | 877,781                  |
| Financial instruments       | 169,382                   | 99,382                   |
| Investment securities       | 900                       | 900                      |
| Accounts receivable – trade | 1,488,382                 | 1,354,260                |
| Loans and other receivables | 1,407,152                 | 1,039,373                |
| Derivative financial assets | 176,554                   | 50,805                   |
|                             | <u>₩ 3,500,452</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 September 30, 2019.

## Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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 September 30, 2019 are as follows:

(In millions of won)

|   | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than<br/>5 years</b> |
|---|----------------------------|-----------------------------------|-----------------------------|--------------------|------------------------------|
| Borrowings(*)                             | ₩ 41,022                   | 43,048                            | 14,616                      | 28,432             | -                            |
| Debentures(*)                             | 6,220,091                  | 7,379,697                         | 760,112                     | 3,494,456          | 3,125,129                    |
| Lease liabilities                         | 444,417                    | 470,586                           | 223,125                     | 222,823            | 24,638                       |
| Accounts payable – other<br>and others(*) | 5,095,260                  | 5,278,317                         | 3,550,686                   | 1,149,373          | 578,258                      |
|   | <b>₩ 11,800,790</b>        | <b>13,171,648</b>                 | <b>4,548,539</b>            | <b>4,895,084</b>   | <b>3,728,025</b>             |

(\*) 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 September 30, 2019, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

|        | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than<br/>5 years</b> |
|--------|----------------------------|-----------------------------------|-----------------------------|--------------------|------------------------------|
| Assets | ₩ 176,554                  | 180,527                           | 58,044                      | 110,765            | 11,718                       |

## (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 nine-month periods ended September 30, 2019 and 2018

26. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|                   | <u>September 30, 2019</u> | <u>December 31, 2018</u> |
|-------------------|---------------------------|--------------------------|
| Total liabilities | ₩ 12,817,302              | 11,960,536               |
| Total equity      | 17,116,086                | 16,887,487               |
| Debt-equity ratio | 74.88%                    | 70.82%                   |

(3) Fair value

1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of September 30, 2019 are as follows:

(In millions of won)

|   | <u>September 30, 2019</u> |                |                  |                |                  |
|---|---------------------------|----------------|------------------|----------------|------------------|
|   | <u>Carrying amount</u>    | <u>Level 1</u> | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>     |
| <b>Financial assets that are measured at fair value:</b>          |                           |                |                  |                |                  |
| FVTPL   | ₩ 939,104                 | -              | 861,217          | 77,887         | 939,104          |
| Derivative hedging instruments                                    | 176,554                   | -              | 176,554          | -              | 176,554          |
| FVOCI   | 105,831                   | 54,446         | -                | 51,385         | 105,831          |
|   | <u>₩ 1,221,489</u>        | <u>54,446</u>  | <u>1,037,771</u> | <u>129,272</u> | <u>1,221,489</u> |
| <b>Financial liabilities that are not measured at fair value:</b> |                           |                |                  |                |                  |
| Borrowings  | ₩ 41,022                  | -              | 42,226           | -              | 42,226           |
| Debentures  | 6,220,091                 | -              | 6,731,127        | -              | 6,731,127        |
| Long-term payables – other  | 1,961,054                 | -              | 2,048,150        | -              | 2,048,150        |
|   | <u>₩ 8,222,167</u>        | <u>-</u>       | <u>8,821,503</u> | <u>-</u>       | <u>8,821,503</u> |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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:

(In millions of won)

|   | December 31, 2018  |                |                  |                |                  |
|---|--------------------|----------------|------------------|----------------|------------------|
|   | Carrying<br>amount | Level 1        | Level 2          | Level 3        | Total            |
| <b>Financial assets that are measured at fair value:</b>          |                    |                |                  |                |                  |
| FVTPL   | ₩ 621,632          | -              | 544,121          | 77,511         | 621,632          |
| Derivative hedging instruments                                    | 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>   |
| <b>Financial liabilities that are measured at fair value:</b>     |                    |                |                  |                |                  |
| FVTPL   | ₩ 61,813           | -              | 61,813           | -              | 61,813           |
| Derivative hedging instruments                                    | 1,107              | -              | 1,107            | -              | 1,107            |
|   | <u>₩ 62,920</u>    | <u>-</u>       | <u>62,920</u>    | <u>-</u>       | <u>62,920</u>    |
| <b>Financial liabilities that are not measured at fair value:</b> |                    |                |                  |                |                  |
| 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.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**26. Financial Risk Management, Continued**

(3) Fair value, Continued

Interest rates used by the Company for the fair value measurement as of September 30, 2019 are as follows:

|                            | <u>Interest rate</u> |
|----------------------------|----------------------|
| Derivative instruments     | 1.00% ~ 2.29%        |
| Borrowings and debentures  | 1.62% ~ 1.68%        |
| Long-term payables – other | 1.58% ~ 1.71%        |

3) There have been no transfers between Level 2 to Level 1 for the nine-month period ended September 30, 2019. The changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2019 are as follows:

*(In millions of won)*

|       | <u>Balance at<br/>January 1, 2019</u> | <u>Valuation</u> | <u>Acquisition</u> | <u>Disposal</u> | <u>Balance at<br/>September 30, 2019</u> |
|-------|---------------------------------------|------------------|--------------------|-----------------|--|
| FVTPL | ₩ 77,511                              | 333              | 604                | (561)           | 77,887                                   |
| FVOCI | 40,762                                | (2,577)          | 13,200             | -               | 51,385                                   |
|       | <u>₩ 118,273</u>                      | <u>(2,244)</u>   | <u>13,804</u>      | <u>(561)</u>    | <u>129,272</u>                           |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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 September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

|  | September 30, 2019                     |               |  |   |            |
|--|--|---------------|--|---|------------|
|  | Gross financial instruments recognized | Amount offset | Net financial instruments presented on the statement of financial position | Relevant financial instruments not offset | Net amount |
| <b>Financial assets:</b>               |  |               |  |   |            |
| Accounts receivable – trade and others | ₩ 72,013                               | (71,768)      | 245  | -   | 245        |
| <b>Financial liabilities:</b>          |  |               |  |   |            |
| Accounts payable – trade and others    | ₩ 71,768                               | (71,768)      | -  | -   | -          |

(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 |
| <b>Financial assets:</b>               |  |               |  |   |            |
| Derivatives(*)                         | ₩ 1,867                                | -             | 1,867  | (1,107)                                   | 760        |
| Accounts receivable – trade and others | 92,000                                 | (92,000)      | -  | -   | -          |
|  | ₩ 93,867                               | (92,000)      | 1,867  | (1,107)                                   | 760        |
| <b>Financial liabilities:</b>          |  |               |  |   |            |
| Derivatives(*)                         | ₩ 1,107                                | -             | 1,107  | (1,107)                                   | -          |
| Accounts payable – trade and others    | 92,324                                 | (92,000)      | 324  | -   | 324        |
|  | ₩ 93,431                               | (92,000)      | 1,431  | (1,107)                                   | 324        |

(\*) 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 nine-month periods ended September 30, 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 48 others(*)                                      |
| Joint ventures              | Dogus Planet, Inc. and 3 others   |
| Associates                  | SK hynix Inc. and 43 others   |
| Others                      | The Ultimate Controlling Entity's other subsidiaries and associates, etc. |

(\*) As of September 30, 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                       | Call center management service  |
| SERVICE TOP Co., Ltd.   | 100.0                       | Call center management service  |
| SK O&S Co., Ltd.  | 100.0                       | Base station maintenance service  |
| (Formerly, Network O&S Co., Ltd.)                                   |                             |   |
| 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 association  |
| Atlas Investment  | 100.0                       | Investment association  |
| 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<br>(Formerly, IRIVER LIMITED)(*2)                   | 52.0                        | Manufacturing digital audio players and other portable media devices        |
| 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   | 66.8                        | Quantum information and communications service                              |
| SK Telecom TMT Investment Corp.                                     | 100.0                       | Investment  |
| FSK L&S Co., Ltd.(*3)   | 60.0                        | Freight and logistics consulting business                                   |
| Incross Co., Ltd.(*4)   | 34.6                        | Media representative business   |
| SK Telecom CS T1 Co., Ltd.(*5)                                      | 100.0                       | E-Sports business   |
| Happy Hanool Co., Ltd.(*6)  | 100.0                       | Service   |
| 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   |
| K-net Culture and Contents Venture Fund                             | 59.0                        | Capital investing in startups   |
| Subsidiaries owned by DREAMUS COMPANY<br>(Formerly, IRIVER LIMITED) |                             |   |
| iriver Enterprise Ltd.  | 100.0                       | Management of Chinese subsidiaries  |
| iriver China Co., Ltd.  | 100.0                       | Sales and manufacturing of MP3 and 4  |
| Dongguan iriver Electronics Co., Ltd.                               | 100.0                       | Sales and Manufacturing of e-book   |
| 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 nine-month periods ended September 30, 2019 and 2018

### 27. Transactions with Related Parties, Continued

#### (1) List of related parties, Continued

|  | Company   | Ownership percentage(%)(*1) | Types of business  |
|--|---|-----------------------------|--|
| Subsidiary owned by SK Infosec Co., Ltd.                 | SKinfosec Information Technology (Wuxi) Co., Ltd.(*7)             | 100.0                       | System software development and supply services  |
| Subsidiaries owned by Life & Security Holdings Co., Ltd. | ADT CAPS Co., Ltd.<br>CAPSTEC Co., Ltd.<br>ADT SECURITY Co., Ltd. | 100.0<br>100.0<br>100.0     | Unmanned security<br>Manned security<br>Sales and trade of anti-theft devices and surveillance devices |
| Subsidiary owned by SK Telink Co., Ltd.                  | SK TELINK VIETNAM Co., Ltd.                                       | 100.0                       | Communications device retail business  |
| Subsidiaries owned by SK Broadband Co.,Ltd.              | Home & Service Co., Ltd.<br>SK stoa Co., Ltd.                     | 100.0<br>100.0              | Operation of information and communication facility<br>Other telecommunication retail business         |
| Subsidiary owned by id 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   |
| Subsidiaries owned by Incross Co., Ltd.                  | Infra Communications Co., Ltd.(*4)<br>Mindknock Co., Ltd. (*8)    | 100.0<br>100.0              | Service operation<br>Software development  |
| Others(*9)   | SK Telecom Innovation Fund, L.P.<br>SK Telecom China Fund I L.P.  | 100.0<br>100.0              | Investment<br>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 nine-month period ended September 30, 2019.

(\*3) FSK L&S Co., Ltd. was reclassified as a subsidiary from an associate during the nine-month period ended September 30, 2019, and thus FSK L&S (Shanghai) Co., Ltd., a subsidiary of FSK L&S Co., Ltd. was included in the subsidiary.

(\*4) The Company acquired 2,786,455 shares of Incross Co., Ltd. at ₩53,722 million in cash for the nine-month period ended September 30, 2019 in order to expand digital advertising business through the integration of the Company's technological capabilities.

(\*5) The Company newly established SK Telecom CS T1 Co., Ltd. for the nine-month period ended September 30, 2019.

(\*6) The Company newly established Happy Hanool Co., Ltd. during the nine-month period ended September 30, 2019.

(\*7) SK Infosec Co., Ltd. newly established SKinfosec Information Technology (Wuxi) Co., Ltd. during the nine-month period ended September 30, 2019.

(\*8) Mindknock Co., Ltd. was reclassified as a subsidiary from an associate as Incross Co., Ltd. acquired additional shares of Mindknock Co., Ltd. during the nine-month period ended September 30, 2019.

(\*9) Others are owned together by Atlas Investment and another subsidiary of the Company.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**27. Transactions with Related Parties, Continued**

(1) List of related parties, Continued

As of September 30, 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.

(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 and nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|                                | 2019  |  | 2018  |  |
|--------------------------------|---|--|---|--|
|                                | Three-month<br>period ended<br>September 30 | Nine-month<br>period ended<br>September 30 | Three-month<br>period ended<br>September 30 | Nine-month<br>period ended<br>September 30 |
| Salaries                       | ₩ 545                                       | 5,420                                      | 779   | 3,995                                      |
| Defined benefits plan expenses | 142   | 1,095                                      | 121   | 799  |
| Share option                   | 66  | 260  | 170   | 441  |
|                                | ₩ <u>753</u>                                | <u>6,775</u>                               | <u>1,070</u>                                | <u>5,235</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 nine-month periods ended September 30, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

| Scope                       | Company   | For the period ended September 30, 2019 |                |                                 |                  |                                       |                |
|-----------------------------|---|---|----------------|---------------------------------|------------------|---------------------------------------|----------------|
|                             |   | Operating revenue and others            |                | Operating expense and others(*) |                  | Acquisition of property and equipment |                |
|                             |   | Three-month                             | Nine-month     | Three-month                     | Nine-month       | Three-month                           | Nine-month     |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*2)                             | ₩ 3,312                                 | 8,018          | 91,613                          | 428,975          | 7,678                                 | 13,404         |
| Subsidiaries                | SK Broadband Co., Ltd.                                | 27,686                                  | 81,268         | 137,823                         | 401,751          | 7,052                                 | 10,812         |
|                             | PS&Marketing Corporation(*3)                          | 2,860                                   | 9,225          | 478,124                         | 1,193,402        | 338                                   | 580            |
|                             | SK O&S Co., Ltd.<br>(Formerly, Network O&S Co., Ltd.) | 1,015                                   | 3,369          | 55,174                          | 164,449          | 13,736                                | 21,244         |
|                             | SK Planet Co., Ltd.                                   | 371                                     | 1,941          | 26,123                          | 70,962           | 2,438                                 | 8,950          |
|                             | SK Telink Co., Ltd.(*4)                               | 11,625                                  | 235,888        | 5,211                           | 17,707           | -                                     | -              |
|                             | SERVICE ACE Co., Ltd.(*5)                             | 2,013                                   | 13,425         | 34,292                          | 98,864           | -                                     | -              |
|                             | SERVICE TOP Co., Ltd.(*6)                             | 2,262                                   | 15,425         | 36,013                          | 101,725          | -                                     | -              |
|                             | Eleven Street Co., Ltd.                               | 855                                     | 6,378          | 1,478                           | 4,546            | -                                     | -              |
|                             | Others(*7)  | 9,734                                   | 85,817         | 33,983                          | 87,975           | 1,785                                 | 3,298          |
|                             |   |   | <u>58,421</u>  | <u>452,736</u>                  | <u>808,221</u>   | <u>2,141,381</u>                      | <u>25,349</u>  |
| Associates                  | F&U Credit information Co., Ltd.                      | 288                                     | 872            | 13,291                          | 35,066           | -                                     | -              |
|                             | SK hynix Inc.(*8)                                     | 6,585                                   | 238,983        | 19                              | 195              | -                                     | -              |
|                             | KEB HanaCard Co., Ltd.                                | 99                                      | 693            | 634                             | 1,700            | -                                     | -              |
|                             | SK Wyverns Co., Ltd.                                  | 296                                     | 886            | 3,005                           | 18,005           | -                                     | -              |
|                             | Others(*9)  | 219                                     | 8,350          | 3,014                           | 9,174            | -                                     | 37             |
|                             |   | <u>7,487</u>                            | <u>249,784</u> | <u>19,963</u>                   | <u>64,140</u>    | <u>-</u>                              | <u>37</u>      |
| Other                       | SK Engineering & Construction Co., Ltd.               | 559                                     | 1,796          | 101                             | 101              | 2,400                                 | 7,400          |
|                             | SK Innovation Co., Ltd.                               | 5,680                                   | 10,920         | 952                             | 1,345            | -                                     | -              |
|                             | SK Networks Co., Ltd.                                 | 680                                     | 2,651          | 3,793                           | 11,609           | -                                     | 443            |
|                             | SK Networks service Co., Ltd.                         | 187                                     | 534            | 12,553                          | 31,835           | 514                                   | 524            |
|                             | SK Telesys Co., Ltd.                                  | 53                                      | 154            | 252                             | 695              | 4,429                                 | 11,723         |
|                             | SK TNS Co., Ltd.                                      | 50                                      | 151            | 11,317                          | 22,352           | 75,923                                | 189,978        |
|                             | SK energy Co., Ltd.                                   | 858                                     | 1,988          | 11                              | 161              | -                                     | -              |
|                             | SKC Infra Services Co., Ltd.                          | 44                                      | 58             | 1,933                           | 6,142            | -                                     | 186            |
|                             | SK E&S Co., Ltd.                                      | 457                                     | 1,423          | -                               | 101              | -                                     | -              |
|                             | Others  | 3,535                                   | 8,531          | 1,866                           | 4,714            | 24,074                                | 24,074         |
|                             |   | <u>12,103</u>                           | <u>28,206</u>  | <u>32,778</u>                   | <u>79,055</u>    | <u>107,340</u>                        | <u>234,328</u> |
|                             |   | <u>₩ 81,323</u>                         | <u>738,744</u> | <u>952,575</u>                  | <u>2,713,551</u> | <u>140,367</u>                        | <u>292,653</u> |



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**27. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2019 and 2018 are as follows, Continued:

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

(\*2) Operating expenses and others include ₩216,241 million of dividends paid by the Company.

(\*3) Operating expenses and others include ₩645,156 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 received.

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

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

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

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

(\*9) Operating revenue and others include ₩8,350 million of dividend income received from Korea IT Fund and UniSK.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2019 and 2018 are as follows, Continued:

(In millions of won)

| Scope                       | Company   | For the period ended September 30, 2018 |                |                              |                  |                                       |                |               |
|-----------------------------|---|---|----------------|------------------------------|------------------|---------------------------------------|----------------|---------------|
|                             |   | Operating revenue and others            |                | Operating expense and others |                  | Acquisition of property and equipment |                |               |
|                             |   | Three-month                             | Nine-month     | Three-month                  | Nine-month       | Three-month                           | Nine-month     |               |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*1)                             | ₩ 2,727                                 | 8,538          | 96,274                       | 428,244          | 8,964                                 | 15,732         |               |
| Subsidiaries                | SK Broadband Co., Ltd.                                | 29,411                                  | 87,129         | 139,386                      | 403,036          | 15,660                                | 20,007         |               |
|                             | PS&Marketing Corporation(*2)                          | 2,666                                   | 8,720          | 382,500                      | 1,120,402        | 362                                   | 424            |               |
|                             | SK O&S Co., Ltd.<br>(Formerly, Network O&S Co., Ltd.) | 1,099                                   | 3,153          | 53,988                       | 159,855          | 12,332                                | 22,382         |               |
|                             | SK Planet Co., Ltd.                                   | 4,578                                   | 18,969         | 12,921                       | 26,944           | 771                                   | 938            |               |
|                             | SK Telink Co., Ltd.                                   | 13,669                                  | 42,802         | 5,725                        | 16,951           | -                                     | -              |               |
|                             | SERVICE ACE Co., Ltd.                                 | 1,936                                   | 5,804          | 32,546                       | 97,838           | -                                     | -              |               |
|                             | SERVICE TOP Co., Ltd.                                 | 2,111                                   | 6,403          | 35,894                       | 115,211          | -                                     | -              |               |
|                             | Eleven Street Co., Ltd.                               | 1,974                                   | 1,974          | 1,595                        | 1,595            | -                                     | -              |               |
|                             | SK techx Co., Ltd.(*3)                                | 812                                     | 3,373          | 11,961                       | 96,258           | 9,782                                 | 11,064         |               |
|                             | Others(*4)  | 15,789                                  | 28,360         | 18,090                       | 39,569           | 321                                   | 2,974          |               |
|                             |   |   | <u>74,045</u>  | <u>206,687</u>               | <u>694,606</u>   | <u>2,077,659</u>                      | <u>39,228</u>  | <u>57,789</u> |
|                             | Associates  | F&U Credit information Co., Ltd.        | 393            | 1,181                        | 11,296           | 34,553                                | -              | -             |
| HappyNarae Co., Ltd.        |   | 22                                      | 75             | 3,997                        | 8,781            | 15,017                                | 36,271         |               |
| SK hynix Inc.(*5)           |   | 6,593                                   | 163,486        | 14                           | 220              | -                                     | -              |               |
| KEB HanaCard Co., Ltd.      |   | 3,149                                   | 12,087         | 3,773                        | 11,615           | -                                     | -              |               |
| Others(*6)                  |   | 2,331                                   | 4,590          | 7,472                        | 25,606           | 355                                   | 478            |               |
|                             |   | <u>12,488</u>                           | <u>181,419</u> | <u>26,552</u>                | <u>80,775</u>    | <u>15,372</u>                         | <u>36,749</u>  |               |
| Other                       | SK Engineering & Construction Co., Ltd.               | 542                                     | 2,500          | -                            | 134              | -                                     | -              |               |
|                             | SK Innovation Co., Ltd.                               | 2,166                                   | 6,334          | 181                          | 700              | -                                     | -              |               |
|                             | SK Networks Co., Ltd.                                 | 4,800                                   | 10,605         | 3,512                        | 11,191           | 368                                   | 435            |               |
|                             | SK Networks Service Co., Ltd.                         | 162                                     | 478            | 10,178                       | 33,038           | 717                                   | 2,277          |               |
|                             | SK Telesys Co., Ltd.                                  | 36                                      | 139            | 200                          | 639              | 18,882                                | 46,080         |               |
|                             | SK TNS Co., Ltd.                                      | 25                                      | 75             | 10,915                       | 17,672           | 91,420                                | 180,587        |               |
|                             | SK energy Co., Ltd.                                   | 462                                     | 1,795          | 7                            | 152              | -                                     | -              |               |
|                             | SKC Infra Services Co., Ltd.                          | 8                                       | 41             | 2,181                        | 6,651            | 421                                   | 927            |               |
|                             | SK Infosec Co., Ltd.                                  | -                                       | 76             | 7,439                        | 22,555           | 2,548                                 | 3,669          |               |
|                             | Others  | 2,471                                   | 8,230          | 1,380                        | 3,865            | -                                     | -              |               |
|                             |   | <u>10,672</u>                           | <u>30,273</u>  | <u>35,993</u>                | <u>96,597</u>    | <u>114,356</u>                        | <u>233,975</u> |               |
|                             |   | <u>₩ 99,932</u>                         | <u>426,917</u> | <u>853,425</u>               | <u>2,683,275</u> | <u>177,920</u>                        | <u>344,245</u> |               |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**27. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2019 and 2018 are as follows, Continued:

(\*1) Operating expenses and others include ₩203,635 million of dividends paid by the Company.

(\*2) Operating expenses and others include ₩643,239 million paid to PS&Marketing Corporation relating to purchase of accounts receivables resulting from sale of handsets.

(\*3) Transactions with SK techx Co., Ltd. that occurred before merger with SK Planet Co., Ltd.

(\*4) Operating revenue and others include ₩10,090 million of dividends received from SK Global Healthcare Business Group, Ltd.

(\*5) Operating revenue and others include ₩146,100 million of dividends received.

(\*6) Operating revenue and others include ₩3,715 million of dividends received from Korea IT Fund and UniSK.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

27. Transactions with Related Parties, Continued

(4) Account balances with related parties as of September 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

| Scope                            | Company   | September 30, 2019               |                                      |                                   |                |
|----------------------------------|---|----------------------------------|--------------------------------------|-----------------------------------|----------------|
|                                  |   | Receivables                      |                                      | Payables                          |                |
|                                  |   | Loans                            | Accounts receivable –<br>trade, etc. | Accounts payable –<br>other, etc. |                |
| Ultimate                         |   |                                  |                                      |                                   |                |
| Controlling                      |   |                                  |                                      |                                   |                |
| Entity                           | SK Holdings Co., Ltd.                                 | ₩                                | -                                    | 3,191                             | 29,479         |
| Subsidiaries                     | SK Broadband Co., Ltd.                                |                                  | -                                    | 7,575                             | 41,573         |
|                                  | PS&Marketing Corporation                              |                                  | -                                    | 918                               | 96,953         |
|                                  | SK O&S Co., Ltd.<br>(Formerly, Network O&S Co., Ltd.) |                                  | -                                    | 155                               | 25,555         |
|                                  | SK Planet Co., Ltd.                                   |                                  | -                                    | 384                               | 17,894         |
|                                  | SK Telink Co., Ltd.                                   |                                  | -                                    | 8,727                             | 2,502          |
|                                  | SERVICE ACE Co., Ltd.                                 |                                  | -                                    | 198                               | 21,524         |
|                                  | SERVICE TOP Co., Ltd.                                 |                                  | -                                    | 529                               | 23,409         |
|                                  | Eleven Street Co., Ltd.                               |                                  | -                                    | 596                               | 1,809          |
|                                  | One store Co., Ltd.                                   |                                  | -                                    | 319                               | 27,503         |
|                                  | SK m&service Co., Ltd.                                |                                  | -                                    | 2,128                             | 6,131          |
|                                  | Others  |                                  | -                                    | 1,012                             | 25,089         |
|                                  |   |                                  |                                      | <u>22,541</u>                     | <u>289,942</u> |
|                                  | Associates  | F&U Credit information Co., Ltd. |                                      | -                                 | -              |
| SK hynix Inc.                    |   |                                  | -                                    | 1,181                             | 1              |
| Wave City Development Co., Ltd.  |   |                                  | -                                    | 31,523                            | -              |
| Daehan Kanggun BcN Co., Ltd. (*) |   |                                  | 22,147                               | -                                 | -              |
| KEB HanaCard Co., Ltd.           |   |                                  | -                                    | 572                               | 4,234          |
| Others                           |   |                                  | 408                                  | -                                 | 94             |
|                                  |   |                                  | <u>22,555</u>                        | <u>33,276</u>                     | <u>8,879</u>   |
| Other                            | SK Engineering and Construction<br>Co., Ltd.          |                                  | -                                    | 544                               | -              |
|                                  | SK Innovation Co., Ltd.                               |                                  | -                                    | 4,712                             | 23,433         |
|                                  | SK Networks Co., Ltd.                                 |                                  | -                                    | 510                               | 23,226         |
|                                  | SK Networks Services Co., Ltd.                        |                                  | -                                    | -                                 | 3,270          |
|                                  | SK Telesys Co., Ltd.                                  |                                  | -                                    | 26                                | 594            |
|                                  | SK TNS Co., Ltd.                                      |                                  | -                                    | 10                                | 30,130         |
|                                  | SK Energy Co., Ltd.                                   |                                  | -                                    | 265                               | 61             |
|                                  | Others  |                                  | -                                    | 1,949                             | 4,614          |
|                                  |   |                                  | <u>-</u>                             | <u>8,016</u>                      | <u>85,328</u>  |
|                                  |   | ₩                                | <u>22,555</u>                        | <u>67,024</u>                     | <u>413,628</u> |

(\*) As of September 30, 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 nine-month periods ended September 30, 2019 and 2018

27. Transactions with Related Parties, Continued

- (4) Account balances with related parties as of September 30, 2019 and December 31, 2018 are as follows, Continued:

(In millions of won)

| Scope                           | Company   | December 31, 2018                |                                      |                                   |         |
|---------------------------------|---|----------------------------------|--------------------------------------|-----------------------------------|---------|
|                                 |   | Receivables                      |                                      | Payables                          |         |
|                                 |   | Loans                            | Accounts receivable –<br>trade, etc. | Accounts payable –<br>other, etc. |         |
| Ultimate Controlling Entity     | SK Holdings Co., Ltd.                                 | ₩ -                              | 2,119                                | 88,103                            |         |
| Subsidiaries                    | SK Broadband Co., Ltd.                                | -                                | 7,637                                | 69,069                            |         |
|                                 | PS&Marketing Corporation                              | -                                | 250                                  | 82,034                            |         |
|                                 | SK O&S Co., Ltd.<br>(Formerly, 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                            |         |
|                                 |   |                                  | -                                    | 24,570                            | 364,058 |
|                                 | 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                             |         |
|                                 |   | 22,554                           | 50,847                               | 18,887                            |         |
| 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                             |         |
|                                 |   | -                                | 6,516                                | 97,011                            |         |
|                                 |   | ₩ 22,554                         | 84,052                               | 568,059                           |         |

(\*) 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 nine-month period ended September 30, 2019 are described in note 8.

For the nine-month periods ended September 30, 2019 and 2018

**28. Commitments and Contingencies**

(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 ₩916,844 million as of September 30, 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 September 30, 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 nine-month periods ended September 30, 2019 and 2018

29. Statements of Cash Flows

(1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2019 and 2018 are as follows:

(In millions of won)

|  | For the nine-month period ended |                    |
|--|---------------------------------|--------------------|
|  | September 30, 2019              | September 30, 2018 |
| Gain on foreign currency translations                              | ₩ (3,717)                       | (894)              |
| Interest income  | (26,157)                        | (30,673)           |
| Dividends  | (514,399)                       | (177,490)          |
| Gain relating to financial assets at FVTPL                         | (840)                           | (2,179)            |
| Gain on disposal of property and equipment and intangible assets   | (4,609)                         | (1,520)            |
| Gain relating to financial liabilities at FVTPL                    | (56)                            | -                  |
| Gain on valuation of derivatives                                   | (465)                           | (1,423)            |
| Gain on settlement of derivatives                                  | (389)                           | -                  |
| Gain on sale of accounts receivable – other                        | (14,353)                        | (17,341)           |
| Other income   | (109)                           | -                  |
| Loss on foreign currency translations                              | 3,347                           | 615                |
| Bad debt for accounts receivable – trade                           | 2,770                           | 11,756             |
| Bad debt for accounts receivable – other                           | 2,543                           | 2,438              |
| Loss relating to financial assets at FVTPL                         | 180                             | 589                |
| Depreciation and amortization                                      | 2,084,176                       | 1,869,119          |
| Loss on disposal of property and equipment and intangible assets   | 10,574                          | 25,683             |
| Loss on impairment of property and equipment and intangible assets | 63                              | -                  |
| Interest expenses  | 186,878                         | 173,723            |
| Loss relating to financial liabilities at FVTPL                    | 43                              | 1,143              |
| Loss on settlement of derivatives                                  | 317                             | 12,156             |
| Loss on investments in subsidiaries and associates                 | -                               | 12,977             |
| Loss on sale of accounts receivable – other                        | 560                             | -                  |
| Retirement benefit expenses  | 33,538                          | 30,047             |
| Share option   | 228                             | 441                |
| Income tax expense   | 215,081                         | 255,808            |
| Other expenses   | 3,600                           | 1,104              |
|  | <b>₩ 1,978,804</b>              | <b>2,166,079</b>   |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2019 and 2018

**29. Statements of Cash Flows, Continued**

(2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2019 are as follows:

*(In millions of won)*

|                                       | <b>For the nine-month period ended</b> |                           |
|---------------------------------------|--|---------------------------|
|                                       | <b>September 30, 2019</b>              | <b>September 30, 2018</b> |
| Accounts receivable – trade           | ₩ (144,571)                            | (346,574)                 |
| Accounts receivable – other           | (56,105)                               | 373,035                   |
| Advance payments                      | (87,811)                               | (2,754)                   |
| Prepaid expenses                      | (260,393)                              | 55,681                    |
| Inventories                           | 933                                    | 4,043                     |
| Long-term accounts receivable – other | (254,742)                              | (30,554)                  |
| Long-term prepaid expenses            | (355,006)                              | -                         |
| Guarantee deposits                    | 1,253                                  | (6,188)                   |
| Contract assets                       | (5,956)                                | (7,608)                   |
| Accounts payable – other              | 260,891                                | (133,672)                 |
| Withholdings                          | (36,671)                               | (38,351)                  |
| Deposits received                     | (744)                                  | 539                       |
| Accrued expenses                      | 81,845                                 | (98,810)                  |
| Provisions                            | (524)                                  | (3,874)                   |
| Long-term provisions                  | -                                      | 2,501                     |
| Plan assets                           | 1,868                                  | 7,155                     |
| Retirement benefit payment            | (11,610)                               | (6,513)                   |
| Contract liabilities                  | 18,898                                 | 6,815                     |
| Others                                | 8,290                                  | (4,981)                   |
|                                       | <u>₩ (840,155)</u>                     | <u>(230,110)</u>          |

(3) Significant non-cash transactions for the nine-month periods ended September 30, 2019 and 2018 are as follows:

*(In millions of won)*

|  | <b>For the nine-month period ended</b> |                           |
|--|--|---------------------------|
|  | <b>September 30, 2019</b>              | <b>September 30, 2018</b> |
| Decrease in accounts payable – other relating to the acquisition of property and equipment and intangible assets | ₩ (13,429)                             | (429,670)                 |
| Increase of right-of-use assets upon adoption of K-IFRS 1116   | 339,029                                | -                         |