

SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2019 and 2018

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

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

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the "Company"), which comprise the condensed separate statement of financial position as of June 30, 2019, the condensed separate statements of income and comprehensive income for the three and six-month periods ended June 30, 2019 and 2018, the condensed separate statement of changes in equity and cash flows for the six-month periods ended June 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 the attention of the users of the above-mentioned financial statements of the Company to the matter described in Note 3 to the condensed separate financial statements. The Company has initially adopted K-IFRS No.1116 for the year beginning on January 1, 2019, and the Company has taken an exemption not to restate the condensed separate financial statements as of December 31, 2018 or for the three and six-month period ended June 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
August 12, 2019

<p>This report is effective as of August 12, 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>
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SK TELECOM CO., LTD.
Condensed Separate Statements of Financial Position

As of June 30, 2019 and December 31, 2018

(In millions of won)

	<u>Note</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets			
Current Assets:			
Cash and cash equivalents	25,26 ₩	678,392	877,823
Short-term financial instruments	25,26	139,000	99,000
Short-term investment securities	7,25,26	48,127	47,849
Accounts receivable – trade, net	4,25,26,27	1,439,130	1,354,260
Short-term loans, net	4,25,26,27	68,514	54,336
Accounts receivable – other, net	3,4,25,26,27,28	490,848	518,451
Contract assets	6	2,430	1,689
Prepaid expenses	3,5	1,669,613	1,688,234
Inventories, net		23,463	22,079
Derivative financial assets	25,26	21,337	-
Advanced payments and others	4,25,26	19,307	15,657
		<u>4,600,161</u>	<u>4,679,378</u>
Non-Current Assets:			
Long-term financial instruments	25,26	382	382
Long-term investment securities	7,25,26	192,564	410,672
Investments in subsidiaries, associates and joint ventures	8	10,445,216	10,188,914
Property and equipment, net	3,9,27	7,383,192	6,943,490
Goodwill		1,306,236	1,306,236
Intangible assets, net	3,10	3,691,931	4,010,864
Long-term loans, net	4,25,26,27	7,969	7,236
Long-term accounts receivable – other	3,4,25,26,28	298,787	274,053
Long-term contract assets	6	7,973	5,842
Long-term prepaid expenses	3,5	834,139	753,181
Guarantee deposits	4,25,26,27	188,807	184,887
Long-term derivative financial assets	25,26	90,018	50,805
Defined benefit assets	14	11,926	31,834
Other non-current assets		249	249
		<u>24,459,389</u>	<u>24,168,645</u>
Total Assets	₩	<u>29,059,550</u>	<u>28,848,023</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of June 30, 2019 and December 31, 2018

(In millions of won)

	<u>Note</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable – other	25,26,27 ₩	1,571,135	1,622,744
Contract liabilities	6	67,246	46,075
Withholdings	25,26	587,176	696,790
Accrued expenses	25,26	630,384	664,286
Income tax payable	23	156,959	162,609
Provisions	13	49,825	49,303
Current installments of long-term debt, net	11,25,26	749,815	512,377
Lease liabilities	3,25,26,27	186,421	-
Current installments of long-term payables – other	12,25,26	420,411	423,884
		<u>4,419,372</u>	<u>4,178,068</u>
Non-Current Liabilities:			
Debentures, excluding current installments, net	11,25,26	5,200,742	5,222,865
Long-term borrowings, excluding current installments, net	11,25,26	26,324	31,764
Long-term payables – other	12,25,26	1,533,219	1,939,082
Long-term contract liabilities	6	7,684	8,358
Long-term derivative financial liabilities	25,26	-	1,107
Long-term lease liabilities	3,25,26,27	240,745	-
Long-term provisions	13	14,918	12,483
Deferred tax liabilities	3,23	546,534	523,732
Other non-current liabilities	25,26	43,703	43,077
		<u>7,613,869</u>	<u>7,782,468</u>
Total Liabilities		<u>12,033,241</u>	<u>11,960,536</u>
Shareholders' Equity:			
Share capital	1,15	44,639	44,639
Capital surplus and others	15,16	415,481	415,324
Retained earnings	3,17	16,622,168	16,467,789
Reserves	18	(55,979)	(40,265)
Total Shareholders' Equity		<u>17,026,309</u>	<u>16,887,487</u>
Total Liabilities and Shareholders' Equity	₩	<u><u>29,059,550</u></u>	<u><u>28,848,023</u></u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 2019 and 2018

(In millions of won)

	<i>Note</i>	2019		2018	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Operating revenue:	19,27				
Revenue		₩ 2,847,717	5,659,925	2,941,835	5,930,373
Operating expenses:	27				
Labor		193,985	384,047	158,681	333,708
Commissions		1,088,968	2,165,476	1,085,518	2,218,460
Depreciation and amortization	3	661,089	1,287,013	580,715	1,181,434
Network interconnection		141,786	282,146	167,024	329,627
Leased line		51,453	103,614	68,290	138,829
Advertising		36,590	57,649	37,968	63,966
Rent	3	57,493	112,664	111,176	222,582
Cost of goods sold		113,623	221,190	133,527	256,695
Others	20	227,505	465,166	230,657	447,536
		<u>2,572,492</u>	<u>5,078,965</u>	<u>2,573,556</u>	<u>5,192,837</u>
Operating profit		275,225	580,960	368,279	737,536
Finance income	22	24,667	548,528	26,715	208,003
Finance costs	3,22	(67,594)	(133,055)	(73,596)	(140,612)
Other non-operating income	21	3,777	7,469	4,369	16,494
Other non-operating expenses	21	(18,497)	(24,692)	(29,826)	(48,004)
Profit before income tax		217,578	979,210	295,941	773,417
Income tax expense	23	55,564	173,203	76,155	189,204
Profit for the period		₩ 162,014	806,007	219,786	584,213
Earnings per share:	24				
Basic and diluted earnings per share (in won)		₩ <u>2,203</u>	<u>11,112</u>	<u>2,993</u>	<u>8,155</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 six-month periods ended June 30, 2019 and 2018

(In millions of won)

	<i>Note</i>	2019		2018	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Profit for the period	₩	162,014	806,007	219,786	584,213
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss, net of taxes:					
Remeasurement of defined benefit liabilities	14	666	(1,491)	3,003	(4,065)
Valuation gain (loss) on financial assets at fair value through other comprehensive income	18	(8,823)	(7,258)	(20,588)	(40,727)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:					
Net change in unrealized fair value of derivatives	18	12,000	21,617	(981)	(10,006)
Other comprehensive income (loss) for the period, net of taxes		3,843	12,868	(18,566)	(54,798)
Total comprehensive income	₩	165,857	818,875	201,220	529,415

See accompanying notes to the condensed separate interim financial statements.

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

For the six-month periods ended June 30, 2019 and 2018

(In millions of won)

	Note	Capital surplus and others							Retained earnings	Reserves	Total equity
		Share capital	Paid-in surplus	Treasury share	Hybrid bonds	Share option	Other	Sub-total			
Balance, December 31, 2017		₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,391
Impact of adopting K-IFRS No. 1115		-	-	-	-	-	-	-	1,723,985	-	1,723,985
Impact of adopting K-IFRS No. 1109		-	-	-	-	-	-	-	49,611	(58,389)	(8,778)
Restated balance, January 1, 2018		₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	16,286,152	19,912	16,722,598
Total comprehensive income:											
Profit for the period		-	-	-	-	-	-	-	584,213	-	584,213
Other comprehensive loss	14,18	-	-	-	-	-	-	-	(2,429)	(52,369)	(54,798)
		-	-	-	-	-	-	-	581,784	(52,369)	529,415
Transactions with owners:											
Annual dividends		-	-	-	-	-	-	-	(635,482)	-	(635,482)
Share option	16	-	-	-	-	289	-	289	-	-	289
Interest on hybrid bonds		-	-	-	-	-	-	-	(8,420)	-	(8,420)
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	289	(1,482)	(952)	(643,902)	-	(644,854)
Balance, June 30, 2018		₩ 44,639	2,915,887	(2,260,626)	398,759	703	(683,780)	370,943	16,224,034	(32,457)	16,607,159
Balance, December 31, 2018		₩ 44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,467,789	(40,265)	16,887,487
Impact of adopting K-IFRS No. 1116	3	-	-	-	-	-	-	-	(25,999)	-	(25,999)
Restated balance, January 1, 2019		₩ 44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,441,790	(40,265)	16,861,488
Total comprehensive income:											
Profit for the period		-	-	-	-	-	-	-	806,007	-	806,007
Other comprehensive income (loss)	14,18	-	-	-	-	-	-	-	28,582	(15,714)	12,868
		-	-	-	-	-	-	-	834,589	(15,714)	818,875
Transactions with owners:											
Annual dividends		-	-	-	-	-	-	-	(646,828)	-	(646,828)
Share option	16	-	-	-	-	157	-	157	-	-	157
Interest on hybrid bonds		-	-	-	-	-	-	-	(7,383)	-	(7,383)
		-	-	-	-	157	-	157	(654,211)	-	(654,054)
Balance, June 30, 2019		₩ 44,639	2,915,887	(1,979,475)	398,759	1,164	(920,854)	415,481	16,622,168	(55,979)	17,026,309

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period	₩	806,007	584,213
Adjustments for income and expenses	29	1,157,854	1,420,008
Changes in assets and liabilities related to operating activities	29	(308,800)	70,515
		<u>1,655,061</u>	<u>2,074,736</u>
Interest received		10,947	20,489
Dividends received		506,050	161,213
Interest paid		(125,583)	(102,487)
Income tax paid		(164,157)	(196,330)
Net cash provided by operating activities		<u>1,882,318</u>	<u>1,957,621</u>
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		-	14,500
Collection of short-term loans		51,453	99,953
Proceeds from disposal of long-term investment securities		221,646	4,992
Proceeds from disposal of investments in subsidiaries and associates		-	2,414
Proceeds from disposal of property and equipment		3,017	5,268
Proceeds from disposal of intangible assets		2,348	143
Collection of lease receivables		6,954	-
		<u>285,418</u>	<u>127,270</u>
Cash outflows for investing activities:			
Increase in short-term financial instrument, net		(40,000)	-
Increase in short-term loans		(66,515)	(110,800)
Acquisition of long-term investment securities		(13,804)	(990)
Acquisition of investments in subsidiaries, associates, and joint ventures		(237,262)	(106,121)
Acquisition of property and equipment		(969,820)	(780,766)
Acquisition of intangible assets		(8,864)	(10,869)
		<u>(1,336,265)</u>	<u>(1,009,546)</u>
Net cash used in investing activities	₩	<u>(1,050,847)</u>	<u>(882,276)</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2019 and 2018

(In millions of won)

	<u>Note</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from issuance of hybrid bonds		-	398,759
Proceeds from issuance of debentures	₩	398,345	1,027,541
Cash inflows from settlement of derivatives		11,931	-
		<u>410,276</u>	<u>1,426,300</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		(220,000)	(946,550)
Payments of cash dividends		(646,828)	(635,482)
Payments of interest on hybrid bonds		(7,383)	(8,420)
Cash outflows from settlement of derivatives		-	(27,213)
Payments of lease liabilities		(135,177)	-
		<u>(1,441,178)</u>	<u>(2,326,732)</u>
Net cash used in financing activities		<u>(1,030,902)</u>	<u>(900,432)</u>
Net increase (decrease) in cash and cash equivalents		(199,431)	174,913
Cash and cash equivalents at beginning of the period		877,823	880,583
Effects of exchange rate changes on cash and cash equivalents		-	207
Cash and cash equivalents at end of the period	₩	<u>678,392</u>	<u>1,055,703</u>

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 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 June 30, 2019, the Company's total issued shares are held by the following shareholders:

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

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 six-month periods ended June 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 on make lease payments. Lessor accounting remains similar to previous accounting policies.

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

i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under K-IFRS No. 2104, *Determining Whether an Arrangement 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 six-month periods ended June 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-leases components and instead account for the lease and non-lease components as a single lease component.

① Significant accounting policies

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

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

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

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

For the six-month periods ended June 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)

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

3. Significant Accounting Policies, Continued

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

(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 1.86%.

(In millions of won)

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

② Impacts subsequent to adoption

As a result of initially applying K-IFRS No. 1116, in relation to the leases that were previously classified as operating leases the Company recognized ₩435,993 million of right-of-use assets and ₩427,166 million of lease liabilities as of June 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 six-month period ended June 30, 2019, the Company recognized ₩125,874 million of depreciation charges and ₩3,893 million of interest costs from those leases. Expenses related to short-term leases and leases of low-value assets are ₩44,373 million and ₩18 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 six-month periods ended June 30, 2019 and 2018

4. Trade and Other Receivables

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

(In millions of won)

		June 30, 2019	
		Gross amount	Loss allowance
			Carrying amount
Current assets:			
Accounts receivable – trade	₩	1,548,558	(109,428)
Short-term loans		69,207	(693)
Accounts receivable – other(*)		530,087	(39,239)
Accrued income		600	-
		<u>2,148,452</u>	<u>(149,360)</u>
Non-current assets:			
Long-term loans		49,084	(41,115)
Long-term accounts receivable – other(*)		298,787	-
Guarantee deposits		188,807	-
		<u>536,678</u>	<u>(41,115)</u>
	₩	<u>2,685,130</u>	<u>(190,475)</u>

(*) Gross and carrying amounts of accounts receivable – other as of June 30, 2019 include ₩456,966 million of financial instruments classified as FVTPL.

(In millions of won)

		December 31, 2018	
		Gross amount	Loss allowance
			Carrying amount
Current assets:			
Accounts receivable – trade	₩	1,474,102	(119,842)
Short-term loans		54,885	(549)
Accounts receivable – other(*)		568,878	(50,427)
Accrued income		410	-
		<u>2,098,275</u>	<u>(170,818)</u>
Non-current assets:			
Long-term loans		48,344	(41,108)
Long-term accounts receivable – other(*)		274,053	-
Guarantee deposits		184,887	-
		<u>507,284</u>	<u>(41,108)</u>
	₩	<u>2,605,559</u>	<u>(211,926)</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 six-month periods ended June 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 six-month periods ended June 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>June 30, 2019</u>
Accounts receivable – trade	₩ 119,842	3,023	(18,142)	4,705	109,428
Accounts receivable – other	92,084	1,648	(18,430)	5,745	81,047
	<u>₩ 211,926</u>	<u>4,671</u>	<u>(36,572)</u>	<u>10,450</u>	<u>190,475</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>June 30, 2018</u>
Accounts receivable – trade	₩ 107,827	12,950	8,593	(14,532)	5,523	120,361
Accounts receivable – other	97,547	99	1,498	(6,335)	2,846	95,655
	<u>₩ 205,374</u>	<u>13,049</u>	<u>10,091</u>	<u>(20,867)</u>	<u>8,369</u>	<u>216,016</u>

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

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

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

5. Prepaid expenses

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

(In millions of won)

		June 30, 2019	December 31, 2018
Current assets:			
Incremental costs of obtaining contracts	₩	1,609,216	1,574,309
Others		60,397	113,925
	₩	1,669,613	1,688,234
Non-current assets:			
Incremental costs of obtaining contracts	₩	814,941	724,233
Others		19,198	28,948
	₩	834,139	753,181

(2) Incremental costs of obtaining contracts

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

(In millions of won)

		2019		2018	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Amortization recognized as commissions	₩	520,193	1,025,507	497,237	1,035,206

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 six-month periods ended June 30, 2019 and 2018

6. Contract assets and liabilities

Details of contract assets and liabilities as of June 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

		June 30, 2019	December 31, 2018
Contract assets:			
Allocation of consideration between performance obligations	₩	10,403	7,531
Contract liabilities:			
Wireless service contracts		17,342	18,425
Customer loyalty programs		23,440	17,113
Others		34,148	18,895
	₩	<u>74,930</u>	<u>54,433</u>

The amount of revenue recognized for the six-month period ended June 30, 2019 related to the contract liabilities carried forward from the prior period is ₩23,037 million.

7. Investment Securities

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

(In millions of won)

	Category		June 30, 2019	December 31, 2018
Beneficiary certificates	FVTPL	₩	48,127	47,849

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

(In millions of won)

	Category		June 30, 2019	December 31, 2018
Equity instruments	FVOCI (*)	₩	115,284	333,161
Debt instruments	FVTPL		77,280	77,511
		₩	<u>192,564</u>	<u>410,672</u>

(*) The Company designated ₩115,284 million of equity instruments that are not held for trading as financial assets at FVOCI. During the six-month period ended June 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 six-month periods ended June 30, 2019 and 2018

8. Investments in Subsidiaries, Associates and Joint Ventures

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

(In millions of won)

	June 30, 2019	December 31, 2018
Investments in subsidiaries	₩ 5,409,873	5,286,601
Investments in associates and joint ventures	5,035,343	4,902,313
	₩ 10,445,216	10,188,914

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

(In millions of won, except for share data)

	Number of shares	June 30, 2019 Ownership (%)	Carrying amount	December 31, 2018 Carrying amount
SK Telink Co., Ltd.	1,432,627	100.0	₩ 243,988	243,988
SK Broadband Co., Ltd.	298,460,212	100.0	1,870,582	1,870,582
SK Communications Co., Ltd.	43,427,530	100.0	69,668	69,668
PS&Marketing Corporation	66,000,000	100.0	313,934	313,934
SERVICEACE Co., Ltd.	4,385,400	100.0	21,927	21,927
SK Planet Co., Ltd.	69,593,562	98.7	404,833	404,833
Eleven Street Co., Ltd.	8,224,709	80.3	1,049,403	1,049,403
DREAMUS COMPANY (Formerly, IRIVER LIMITED) (*1)	29,246,387	52.4	156,642	156,642
SK Telecom China Holdings Co., Ltd.	-	100.0	48,096	48,096
Life & Security Holdings Co., Ltd.	740,895	55.0	703,394	703,736
SKT Americas, Inc.	122	100.0	45,701	45,701
Atlas Investment (*2)	-	100.0	118,175	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)	60,824,172	63.9	81,902	81,902
SK Infosec Co., Ltd.	12,636,024	100.0	44,410	44,410
SK Telecom TMT Investment Corp. (*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. (Formerly, Network O&S Co., Ltd.) and others	-	-	47,790	47,790
			₩ 5,409,873	5,286,601

(*1) The ownership has changed due to the conversion of the convertible bonds issued by DREAMUS COMPANY (Formerly, IRIVER LIMITED) during the six-month period ended June 30, 2019.

(*2) The Company invested ₩18,301 million in cash for the six-month period ended June 30, 2019.

(*3) The ownership has changed due to an unequal paid-in capital increase during the six-month period ended June 30, 2019.

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

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

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

(*5) FSK L&S Co., Ltd. was reclassified as investments in subsidiaries from investments in associates during the six-month period ended June 30, 2019.

(*6) The Company acquired 2,786,455 shares of Incross Co., Ltd. at ₩53,722 million in cash for the six-month period ended June 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 six-month periods ended June 30, 2019 and 2018

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

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

(In millions of won, except for share data)

		June 30, 2019		December 31, 2018
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
Investments in associates:				
SK China Company Ltd.	10,928,921	27.3	₩ 601,192	601,192
Korea IT Fund (*1)	190	63.3	220,957	220,957
Wave City Development Co., Ltd. (*2)	393,460	19.1	1,532	1,532
KEB HanaCard Co., Ltd. (*2)	39,902,323	15.0	253,739	253,739
Daehan Kanggun BcN Co., Ltd.	1,675,124	29.0	353	353
NanoEnTek, Inc.	7,600,649	28.9	51,138	51,138
SK Technology Innovation Company	14,700	49.0	45,864	45,864
SK hynix Inc.	146,100,000	20.1	3,374,725	3,374,725
SK MENA Investment B.V.	9,772,686	32.1	14,485	14,485
SK Latin America Investment S.A.	9,448,937	32.1	14,243	14,243
S.M.Culture & Contents Co., Ltd.	22,033,898	23.4	65,341	65,341
12CM Japan, Inc.	3,925	28.2	7,697	7,697
MAKEUS Corp. (*2)	2,153	8.9	9,773	9,773
SK South East Asia Investment Pte. Ltd. (*3)	200,000,000	20.0	224,470	111,000
Pacific Telecom Inc. (*2)	1,734,109	15.0	36,487	36,487
Grab Geo Holdings PTE. LTD. (*4)	300	30.0	30,517	-
Carrot Co., Ltd. (*2,5)	1,360,000	9.9	6,800	-
Health Connect Co., Ltd. and others	-	-	51,450	69,207
			₩ 5,010,763	4,877,733
Investment in a joint venture:				
Finnq Co., Ltd. (*6)	1,470,000	49.0	₩ 24,580	24,580
			₩ 5,035,343	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 six-month period ended June 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 six-month period ended June 30, 2019.

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

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

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

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

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

(In millions of won, except for share data)

	June 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 (Formerly, IRIVER LIMITED)	₩ 7,380	29,246,387	215,838	6,760	29,246,387	197,706
Incross Co., Ltd.	24,050	2,786,455	67,014	-	-	-

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

(In millions of won, except for share data)

	June 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.	₩ 4,715	7,600,649	35,837	4,235	7,600,649	32,189
SK hynix Inc.	69,500	146,100,000	10,153,950	60,500	146,100,000	8,839,050
S.M.Culture & Contents Co., Ltd.	1,710	22,033,898	37,678	2,020	22,033,898	44,508

9. Property and Equipment

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

(In millions of won)

For the six-month period ended June 30, 2019							
	Beginning balance	Impact of adopting K-IFRS No. 1116	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 544,419	-	968	-	27,196	-	572,583
Buildings	537,000	-	877	(433)	25,223	(19,083)	543,584
Structures	355,739	-	1,554	-	2,803	(17,879)	342,217
Machinery	4,382,375	-	61,308	(2,120)	1,020,969	(775,192)	4,687,340
Right-of-use assets	-	433,074	196,589	(67,796)	-	(125,874)	435,993
Other	617,837	-	588,770	(793)	(731,030)	(48,930)	425,854
Construction in progress	506,120	-	253,463	(744)	(383,218)	-	375,621
	₩ 6,943,490	433,074	1,103,529	(71,886)	(38,057)	(986,958)	7,383,192

SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2019 and 2018

9. Property and Equipment, Continued

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

(In millions of won)

		For the six-month period ended June 30, 2018				
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 525,572	1,069	(29)	4,228	-	530,840
Buildings	546,872	90	(1,330)	24,662	(18,606)	551,688
Structures	376,755	279	-	2,327	(17,974)	361,387
Machinery	4,648,331	37,953	(13,158)	445,784	(818,413)	4,300,497
Other	448,203	248,394	(1,065)	(235,041)	(51,356)	409,135
Construction in progress	377,400	200,846	(3,312)	(312,085)	-	262,849
	₩ 6,923,133	488,631	(18,894)	(70,125)	(906,349)	6,416,396

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

(In millions of won)

	June 30, 2019	January 1, 2019
Land, Buildings and Structures	₩ 393,721	366,279
Other	42,272	66,795
	₩ 435,993	433,074

10. Intangible Assets

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

(In millions of won)

		For the six-month period ended June 30, 2019						
	Beginning balance	Impact of adopting K-IFRS No. 1116	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Frequency usage rights	₩ 3,139,978	-	-	-	-	(231,488)	-	2,908,490
Land usage rights	6,498	-	1,248	-	-	(1,578)	-	6,168
Industrial rights	15,300	-	755	(219)	-	(1,452)	-	14,384
Facility usage rights	16,008	-	824	(10)	171	(1,378)	-	15,615
Club memberships	47,411	-	1,089	(230)	-	-	(63)	48,207
Other	785,669	(2,274)	4,948	(1,995)	54,425	(141,706)	-	699,067
	₩ 4,010,864	(2,274)	8,864	(2,454)	54,596	(377,602)	(63)	3,691,931

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

10. Intangible Assets, Continued

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

(In millions of won)

	For the six-month period ended June 30, 2018					
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Ending balance
Frequency usage rights	₩ 2,176,940	-	-	-	(201,944)	1,974,996
Land usage rights	7,858	1,622	(49)	-	(1,981)	7,450
Industrial rights	12,899	3,183	-	-	(1,760)	14,322
Facility usage rights	16,456	844	(22)	90	(1,368)	16,000
Club memberships	44,843	1,215	(25)	-	-	46,033
Other	830,549	4,005	(1,400)	80,917	(139,988)	774,083
	₩ 3,089,545	10,869	(1,496)	81,007	(347,041)	2,832,884

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

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license	₩ 81,088	CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	314,050	LTE service	Sept. 2013	Dec. 2021
2.6GHz license	910,640	LTE service	Sept. 2016	Dec. 2026
2.1GHz license	265,896	W-CDMA and LTE service	Dec. 2016	Dec. 2021
3.5GHz license(*)	1,134,133	5G service	Apr. 2019	Nov. 2028
28GHz license(*)	202,683	5G service	-	Nov. 2023
	₩ 2,908,490			

- (*) The Company participated in the frequency license allocation auction hosted by Ministry of Science and Information and Communication Technology (ICT) and was assigned the 3.5GHz and 28GHz bands of frequency licenses during the year ended December 31, 2018. The considerations payable for the bands of frequency are ₩1,218,500 million and ₩207,300 million, respectively. These bands of frequency were assigned in December 2018 and the annual payments in installment of the remaining balances will be made for the next ten and five years, respectively. The Company recognized these frequency licenses as intangible assets at the date of initial lump sum payment and began amortization for 3.5GHz license in April 2019. The amortization for 28GHz license will be begun when it is in the condition necessary for it to be capable of operating in the manner intended by management.

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

11. Borrowings and Debentures

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

(In millions of won)

	<u>Lender</u>	<u>Annual interest rate(%)</u>	<u>Maturity</u>		<u>Book value</u>
Current				₩	12,630
Non-current					31,764
As of January 1, 2019					44,394
Borrowings repaid	Export Kreditnamnden	1.70	2022. 4. 29		(6,441)
Other changes(*1):					1,476
Current(*2)					13,105
Non-current(*2)					26,324
As of June 30, 2019				₩	39,429

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

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

(2) Changes in debentures for the six-month period ended June 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					5,743,533	5,722,612
Debentures newly issued:						
Unsecured	Operating fund	2.03	Mar. 6, 2022		180,000	179,234
corporate bonds		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
				₩	400,000	398,345
Debentures repaid:						
Unsecured	Operating fund	3.30	May. 14, 2019	₩	(50,000)	(50,000)
corporate bonds		4.72	May. 14, 2029		(61,757)	(61,757)
		1.65	Mar. 4, 2019		(70,000)	(70,000)
		1.62	June. 3, 2019		(50,000)	(50,000)
					(231,757)	(231,757)
Other changes(*1):					46,384	48,252
Current(*2)					737,040	736,710
Non-current(*2)					5,221,120	5,200,742
As of June 30, 2019				₩	5,958,160	5,937,452

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For the six-month periods ended June 30, 2019 and 2018

11. Borrowings and Debentures, Continued

(2) Changes in debentures for the six-month period ended June 30, 2019 are as follows, Continued:

(*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 six-month period ended June 30, 2019.

(*2) ₩406,962 million were transferred from non-current to current for the six-month period ended June 30, 2019.

12. Long-term Payables – other

(1) As of June 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)

	June 30, 2019	December 31, 2018
Long-term payables – other	₩ 2,051,389	2,476,738
Present value discount on long-term payables – other	(97,759)	(113,772)
Current installments of long-term payables – other	(420,411)	(423,884)
Carrying amount at period end	₩ <u>1,533,219</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 six-month period ended June 30, 2019. The repayment schedule of the principal amount of long-term payables – other as of June 30, 2019 is as follows:

(In millions of won)

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

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13. Provisions

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

(In millions of won)

	For the six-month period ended June 30, 2019					As of June 30, 2019	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for restoration	₩ 59,548	1,504	(337)	(418)	60,297	45,379	14,918
Emission allowance	2,238	2,208	-	-	4,446	4,446	-
	₩ 61,786	3,712	(337)	(418)	64,743	49,825	14,918

(In millions of won)

	For the six-month period ended June 30, 2018					As of June 30, 2018	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 3,874	-	(1,059)	(2,702)	113	113	-
Provision for restoration	56,162	2,296	(369)	(350)	57,739	41,679	16,060
Emission allowance	4,650	1,726	(1,334)	(3,306)	1,736	1,736	-
	₩ 64,686	4,022	(2,762)	(6,358)	59,588	43,528	16,060

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For the six-month periods ended June 30, 2019 and 2018

14. Defined Benefit Assets

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

(In millions of won)

	June 30, 2019	December 31, 2018
Present value of defined benefit obligations	₩ 353,681	332,044
Fair value of plan assets	(365,607)	(363,878)
	₩ (11,926)	(31,834)

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

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Beginning balance	₩ 332,044	278,778
Current service cost	22,503	20,188
Interest cost	4,177	4,268
Remeasurement		
- Adjustment based on experience	1,543	4,289
Benefit paid	(10,077)	(5,886)
Others	3,491	3,455
Ending balance	₩ 353,681	305,092

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

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Beginning balance	₩ 363,878	318,860
Interest income	4,493	4,757
Remeasurement	(442)	(1,372)
Contribution	20,000	9,000
Benefit paid	(20,335)	(15,642)
Others	(1,987)	6,165
Ending balance	₩ 365,607	321,768

(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 six-month periods ended June 30, 2019 and 2018 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Current service cost	₩ 22,503	20,188
Net interest income	(316)	(489)
	₩ 22,187	19,699

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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 June 30, 2019 and December 31, 2018 are as follows:

(In millions of won, except for share data)

	<u>June 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)	1,164	1,007
Others	(920,854)	(920,854)
	<u>₩ 415,481</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 six-month periods ended June 30, 2019 and 2018 and details of shares outstanding as of June 30, 2019 and 2018 are as follows:

(In shares)

	<u>June 30, 2019</u>			<u>June 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

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16. Share option

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

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

- (2) Share compensation expense recognized for the six-month period ended June 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 six-month period ended June 30, 2019	157
In subsequent periods	320
	₩ 1,484

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

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

17. Retained Earnings

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For the six-month periods ended June 30, 2019 and 2018

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

(In millions of won)

	June 30, 2019	December 31, 2018
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
	15,818,758	13,874,758
Unappropriated	803,410	2,593,031
	₩ 16,622,168	16,467,789

18. Reserves

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

(In millions of won)

	June 30, 2019	December 31, 2018
Valuation gain (loss) on FVOCI	₩ (35,284)	2,047
Valuation loss on derivatives	(20,695)	(42,312)
	₩ (55,979)	(40,265)

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

(In millions of won)

	Valuation gain (loss) on financial assets at FVOCI	Valuation gain (loss) on available-for-sale financial assets	Valuation gain (loss) on derivatives	Total
Balance at December 31, 2017	₩ -	148,873	(70,572)	78,301
Impact of adopting K-IFRS No.1109	90,484	(148,873)	-	(58,389)
Balance at January 1, 2018	90,484	-	(70,572)	19,912
Changes, net of taxes	(42,363)	-	(10,006)	(52,369)
Balance at June 30, 2018	48,121	-	(80,578)	(32,457)
Balance at January 1, 2019	2,047	-	(42,312)	(40,265)
Changes, net of taxes	(37,331)	-	21,617	(15,714)
Balance at June 30, 2019	₩ (35,284)	-	(20,695)	(55,979)

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For the six-month periods ended June 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 June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Products transferred at a point in time:				
Product sales	₩ 22,650	44,104	36,694	69,967
Services transferred over time:				
Wireless service revenue(*1)	2,435,799	4,848,472	2,497,727	5,066,607
Cellular interconnection revenue	132,264	259,657	156,064	306,936
Other(*2)	257,004	507,692	251,350	486,863
	<u>2,825,067</u>	<u>5,615,821</u>	<u>2,905,141</u>	<u>5,860,406</u>
	₩ <u>2,847,717</u>	<u>5,659,925</u>	<u>2,941,835</u>	<u>5,930,373</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 six-month periods ended June 30, 2019 and 2018 are as follows:

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Communication	₩ 7,689	14,908	7,131	14,164
Utilities	54,172	113,000	49,737	107,553
Taxes and dues	12,684	16,822	11,747	15,851
Repair	61,196	121,531	63,298	116,674
Research and development	78,382	161,285	79,973	151,184
Training	4,672	11,858	4,798	11,693
Bad debt (Reversal of loss allowance) for accounts receivable – trade	(1,304)	3,023	4,107	8,593
Other	10,014	22,739	9,866	21,824
	₩ <u>227,505</u>	<u>465,166</u>	<u>230,657</u>	<u>447,536</u>

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For the six-month periods ended June 30, 2019 and 2018

21. Other Non-operating Income and Expenses

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

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other non-operating Income:				
Gain on disposal of property and equipment and intangible assets	₩ 1,831	2,699	886	1,000
Others	1,946	4,770	3,483	15,494
	<u>₩ 3,777</u>	<u>7,469</u>	<u>4,369</u>	<u>16,494</u>
Other non-operating Expenses:				
Loss on disposal of property and equipment and intangible assets	₩ 6,685	7,644	15,589	15,979
Donations	7,376	9,893	12,211	28,150
Bad debt for accounts receivable – other	911	1,648	775	1,498
Others	3,525	5,507	1,251	2,377
	<u>₩ 18,497</u>	<u>24,692</u>	<u>29,826</u>	<u>48,004</u>

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

22. Finance Income and Costs

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

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Income:				
Interest income	₩ 7,356	14,819	12,690	24,284
Gain on sale of accounts receivable – other	4,045	11,987	4,390	8,139
Dividends	8,131	514,181	1,676	162,918
Gain on foreign currency transactions	3,213	4,412	5,093	8,469
Gain on foreign currency translations	1,086	1,910	1,588	1,604
Gain relating to financial assets at FVTPL	163	309	700	1,692
Gain relating to financial liabilities at FVTPL	265	56	-	-
Gain on valuation of derivatives	19	465	578	897
Gain on settlement of derivatives	389	389	-	-
	<u>₩ 24,667</u>	<u>548,528</u>	<u>26,715</u>	<u>208,003</u>
Finance Costs:				
Interest expenses	₩ 61,678	125,883	57,450	118,383
Loss on foreign currency transactions	3,038	3,972	3,119	8,650
Loss on foreign currency translations	1,776	1,915	1	65
Loss on sale of accounts receivable – other	560	560	-	-
Loss relating to financial assets at FVTPL	225	365	378	578
Loss relating to financial liabilities at FVTPL	-	43	492	780
Loss on settlement of derivatives	317	317	12,156	12,156
	<u>₩ 67,594</u>	<u>133,055</u>	<u>73,596</u>	<u>140,612</u>

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

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and short-term financial instruments	₩ 2,748	5,592	4,245	7,639
Interest income on loans and others	4,608	9,227	8,445	16,645
	<u>₩ 7,356</u>	<u>14,819</u>	<u>12,690</u>	<u>24,284</u>

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22. Finance Income and Costs, Continued

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

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expenses on borrowings	₩ 1,810	2,903	1,102	2,822
Interest expenses on debentures	45,128	89,323	45,150	90,978
Others	14,740	33,657	11,198	24,583
	<u>₩ 61,678</u>	<u>125,883</u>	<u>57,450</u>	<u>118,383</u>

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

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Accounts receivable – trade	₩ (1,304)	3,023	4,107	8,593
Other receivables	911	1,648	775	1,498
	<u>₩ (393)</u>	<u>4,671</u>	<u>4,882</u>	<u>10,091</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.

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For the six-month periods ended June 30, 2019 and 2018

24. Earnings per Share**(1) Basic earnings per share**

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

(In millions of won, except for share data)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Profit for the period	₩ 162,014	806,007	219,786	584,213
Interest on hybrid bonds	(3,691)	(7,383)	(8,420)	(8,420)
Profit for the period available for common shares	158,323	798,624	211,366	575,793
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)	₩ 2,203	11,112	2,993	8,155

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

(In shares)

	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 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 June 30, 2019	71,869,828	71,869,828	71,869,828

(In shares)

	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 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 June 30, 2018	70,609,160	70,609,160	70,609,160

(2) Diluted earnings per share

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

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25. Categories of Financial Instruments

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

(In millions of won)

June 30, 2019					
	Financial assets at FVTPL	Equity instruments at FVOCI	Financial assets at amortized cost	Derivatives- hedging instrument	Total
Cash and cash equivalents	₩ -	-	678,392	-	678,392
Financial instruments	-	-	139,382	-	139,382
Short-term investment securities	48,127	-	-	-	48,127
Long-term investment securities(*)	77,280	115,284	-	-	192,564
Accounts receivable – trade	-	-	1,439,130	-	1,439,130
Loans and other receivables	456,966	-	598,559	-	1,055,525
Derivative financial assets	-	-	-	111,355	111,355
	₩ 582,373	115,284	2,855,463	111,355	3,664,475

(*) The Company designated ₩115,284 million of equity instruments that are not held for trading as financial assets measured at FVOCI.

(In millions of won)

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

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

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25. Categories of Financial Instruments, Continued

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

(In millions of won)

	June 30, 2019	
	Financial liabilities at amortized cost	
Borrowings	₩	39,429
Debentures		5,937,452
Lease liabilities		427,166
Accounts payable – other and others		4,540,924
	₩	<u>10,944,971</u>

(In millions of won)

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

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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 June 30, 2019 are as follows:

(In millions of won, thousands of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
USD	15,804 ₩	18,282	1,226,369 ₩	1,418,663
EUR	11,584	15,234	29	38
JPY	14,838	159	450	5
Others	-	167	-	206
	₩	<u>33,842</u>	₩	<u>1,418,912</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 June 30, 2019, a hypothetical change in exchange rates by 10% would have increased (reduced) the Company's income before income taxes as follows:

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 1,762	(1,762)
EUR	1,520	(1,520)
JPY	15	(15)
Others	(4)	4
	₩ <u>3,293</u>	<u>(3,293)</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 June 30, 2019, floating-rate debentures amount to ₩347,040 million, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. Therefore, income before income taxes for the six-month period ended June 30, 2019 would not have been affected by the changes in interest rates of floating-rate debenture.

As of June 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, income before income taxes for the period ended June 30, 2019, would change by ₩10,257 million in relation to floating-rate long-term payables – other that are exposed to interest rate risk.

For the six-month periods ended June 30, 2019 and 2018

26. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

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

(In millions of won)

	June 30, 2019	December 31, 2018
Cash and cash equivalents	₩ 678,372	877,781
Financial instruments	139,382	99,382
Investment securities	900	900
Accounts receivable – trade	1,439,130	1,354,260
Loans and other receivables	1,055,525	1,039,373
Derivative financial assets	111,355	50,805
	₩ <u>3,424,664</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 June 30, 2019.

For the six-month periods ended June 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 June 30, 2019 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings(*)	₩ 39,429	41,454	14,075	27,379	-
Debentures(*)	5,937,452	7,066,491	914,471	3,279,354	2,872,666
Lease liabilities	427,166	439,621	188,264	225,323	26,034
Accounts payable – other and others(*)	4,540,924	4,738,516	3,004,945	1,153,354	580,217
	₩ 10,944,971	12,286,082	4,121,755	4,685,410	3,478,917

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

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	₩ 111,355	113,267	39,872	81,685	(8,290)

(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.

For the six-month periods ended June 30, 2019 and 2018

26. Financial Risk Management, Continued**(2) Capital management, Continued**

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

(In millions of won)

		June 30, 2019	December 31, 2018
Total liabilities	₩	12,033,241	11,960,536
Total equity		17,026,309	16,887,487
Debt-equity ratios		70.67%	70.82%

(3) Fair value

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

(In millions of won)

		June 30, 2019			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
FVTPL	₩ 582,373	-	505,093	77,280	582,373
Derivative hedging instruments	111,355	-	111,355	-	111,355
FVOCI	115,284	61,322	-	53,962	115,284
	₩ <u>809,012</u>	<u>61,322</u>	<u>616,448</u>	<u>131,242</u>	<u>809,012</u>
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 39,429	-	40,436	-	40,436
Debentures	5,937,452	-	6,433,687	-	6,433,687
Long-term payables – other	1,953,630	-	2,032,808	-	2,032,808
	₩ <u>7,930,511</u>	<u>-</u>	<u>8,506,931</u>	<u>-</u>	<u>8,506,931</u>

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

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

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

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

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 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, Continued:

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

	<u>Interest rate</u>
Derivative instruments	1.09% ~ 2.30%
Borrowings and debentures	1.72% ~ 1.77%
Long-term payables - other	1.68% ~ 1.82%

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

	<u>Balance at</u>				<u>Balance at</u>
	<u>January 1, 2019</u>	<u>Valuation</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>June 30, 2019</u>
FVTPL	₩ 77,511	(274)	604	(561)	77,280
FVOCI	40,762	-	13,200	-	53,962
	<u>₩ 118,273</u>	<u>(274)</u>	<u>13,804</u>	<u>(561)</u>	<u>131,242</u>

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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 June 30, 2019 and December 31, 2018 are as follows:

(In millions of won)

		June 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
Financial assets:					
Accounts receivable – trade and others	₩	77,324	(77,320)	4	-
					4
Financial liabilities:					
Accounts payable – trade and others	₩	77,320	(77,320)	-	-
					-

(In millions of won)

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

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For the six-month periods ended June 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 45 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 June 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	52.4	Manufacturing digital audio players and other portable media devices
	(Formerly, IRIVER LIMITED)(*2)		
	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
Subsidiaries owned by SK Planet Co., Ltd.	id Quantique SA	63.9	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 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
	iriver Enterprise Ltd.	100.0	Management of Chinese subsidiaries
Subsidiaries owned by DREAMUS COMPANY (Formerly, IRIVER LIMITED)	iriver Inc.	100.0	Marketing and sales in North America
	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

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27. Transactions with Related Parties, Continued

(1) List of related parties, Continued

Company		Ownership percentage(%)(*1)	Types of business
Subsidiaries	ADT CAPS Co., Ltd.	100.0	Unmanned security
owned by	CAPSTEC Co., Ltd.	100.0	Manned security
Life & Security	ADT SECURITY Co., Ltd.	100.0	Sales and trade of anti-theft devices and surveillance devices
Holdings Co., Ltd.			
Subsidiary owned by	SK TELINK VIETNAM Co., Ltd.	100.0	Communications device retail business
SK Telink Co., Ltd.			
Subsidiaries	Home & Service Co., Ltd.	100.0	Operation of information and communication facility
owned by SK	SK stoa Co., Ltd.	100.0	Other telecommunication retail business
Broadband Co., Ltd.			
Subsidiary	Id Quantique LLC	100.0	Quantum information and communications service
owned by	id		
Quantique SA			
Subsidiary	FSK L&S(Shanghai) Co., Ltd.(*3)	66.0	Logistics business
owned by FSK L&S			
Co., Ltd.			
Subsidiary	Infra Communications Co., Ltd.(*4)	100.0	Service operation
owned by Incross			
Co., Ltd.			
Others(*5)	SK Telecom Innovation Fund, L.P.	100.0	Investment
	SK Telecom China Fund I L.P.	100.0	Investment

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

(*2) DREAMUS COMPANY(Formerly, IRIVER LIMITED) merged groovers Inc. during the six-month period ended June 30, 2019.

(*3) FSK L&S Co., Ltd. was reclassified as a subsidiary from an associate during the six-month period ended June 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 six-month period ended June 30, 2019 in order to expand digital advertising business through the integration of the Company's technological capabilities.

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

As of June 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.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

27. Transactions with Related Parties, Continued**(2) Compensation to the key management**

The Company considers registered directors (3 executive and 5 non-executive directors) who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management. The compensation given to such key management for the three and six-month periods ended June 30, 2019 and 2018 are as follows:

(In millions of won)

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Salaries	₩ 547	4,875	479	3,216
Defined benefits plan expenses	142	953	121	678
Share option	64	194	137	271
	<u>₩ 753</u>	<u>6,022</u>	<u>737</u>	<u>4,165</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.

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For the six-month periods ended June 30, 2019 and 2018

27. Transactions with Related Parties, Continued

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

(In millions of won)

Scope	Company	For the period ended June 30, 2019					
		Operating revenue and others		Operating expense and others(*1)		Acquisition of property and equipment	
		Three-month	Six-month	Three-month	Six-month	Three-month	Six-month
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*2)	₩ 3,154	4,706	71,317	337,362	4,455	5,726
Subsidiaries	SK Broadband Co., Ltd.	27,875	53,582	136,500	263,928	3,760	3,760
	PS&Marketing Corporation(*3)	2,964	6,365	383,423	715,278	242	242
	SK O&S Co., Ltd. (Formerly, Network O&S Co., Ltd.)	1,196	2,354	55,961	109,275	7,508	7,508
	SK Planet Co., Ltd.	1,307	1,570	22,415	44,839	4,213	6,512
	SK Telink Co., Ltd.(*4)	12,313	224,263	7,027	12,496	-	-
	SERVICE ACE Co., Ltd.(*5)	1,972	11,412	32,560	64,572	-	-
	SERVICE TOP Co., Ltd.(*6)	2,168	13,163	35,135	65,712	-	-
	Eleven Street Co., Ltd.	1,072	5,523	1,262	3,068	-	-
	Others(*7)	7,975	76,083	30,147	53,992	822	1,513
		58,842	394,315	704,430	1,333,160	16,545	19,535
Associates	F&U Credit information Co., Ltd.	285	584	10,345	21,775	-	-
	SK hynix Inc.(*8)	4,985	232,398	119	176	-	-
	KEB HanaCard Co., Ltd.	181	594	673	1,066	-	-
	SK Wyverns Co., Ltd.	296	590	-	15,000	-	-
	Others(*9)	8,131	8,131	3,092	6,160	-	37
Other		13,878	242,297	14,229	44,177	-	37
	SK Engineering & Construction Co., Ltd.	720	1,237	-	-	2,600	5,000
	SK Innovation Co., Ltd.	2,696	5,240	38	393	-	-
	SK Networks Co., Ltd.	1,372	1,971	1,635	7,816	-	443
	SK Networks service Co., Ltd.	182	347	8,989	19,282	10	10
	SK Telesys Co., Ltd.	57	101	290	443	7,137	7,294
	SK TNS Co., Ltd.	47	101	10,904	11,035	113,316	114,055
	SK energy Co., Ltd	588	1,130	145	150	-	-
	SKC Infra Services Co., Ltd	7	14	2,190	4,209	186	186
	SK E&S Co., Ltd.	471	966	101	101	-	-
	Others	2,743	4,996	1,496	2,848	-	-
		8,883	16,103	25,788	46,277	123,249	126,988
		₩ 84,757	657,421	815,764	1,760,976	144,249	152,286

For the six-month periods ended June 30, 2019 and 2018

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and six-month periods ended June 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 ~~₩~~194,617 million of dividends paid by the Company.

(*3) Operating expenses and others include ~~₩~~404,413 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 ~~₩~~8,131 million of dividend income accrued from Korea IT Fund.

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27. Transactions with Related Parties, Continued

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

(In millions of won)

Scope	Company	For the period ended June 30, 2018					
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month	Six-month	Three-month	Six-month	Three-month	Six-month
Ultimate Controlling Entity	SK Holdings Co., Ltd. (*1)	₩ 2,913	5,811	72,688	331,970	5,242	6,768
Subsidiaries	SK Broadband Co., Ltd.	27,789	57,718	133,266	263,650	4,347	4,347
	PS&Marketing Corporation (*2)	2,804	6,054	370,845	737,902	-	62
	SK O&S Co., Ltd. (Formerly, Network O&S Co., Ltd.)	1,062	2,054	58,825	105,867	10,050	10,050
	SK Planet Co., Ltd.	8,043	14,391	6,631	14,023	167	167
	SK Telink Co., Ltd.	14,443	29,133	5,771	11,226	-	-
	SERVICE ACE Co., Ltd.	1,935	3,868	32,083	65,292	-	-
	SERVICE TOP Co., Ltd.	2,148	4,292	39,511	79,317	-	-
	SK techx Co., Ltd	1,177	2,561	38,075	84,297	810	1,282
	Others	6,306	12,571	9,700	21,479	809	2,653
		65,707	132,642	694,707	1,383,053	16,183	18,561
Associates	F&U Credit information Co., Ltd.	394	788	11,796	23,257	-	-
	HappyNarae Co., Ltd.	30	53	2,060	4,784	17,132	21,254
	SK hynix Inc. (*3)	4,929	156,893	178	206	-	-
	KEB HanaCard Co., Ltd.	4,906	8,938	8,286	12,317	-	-
	Others (*4)	292	2,259	5,130	18,134	123	123
		10,551	168,931	27,450	58,698	17,255	21,377
Other	SK Engineering & Construction Co., Ltd.	1,409	1,958	134	134	-	-
	SK Innovation Co., Ltd.	2,165	4,168	338	519	-	-
	SK Networks Co., Ltd.	3,064	5,805	3,244	7,679	67	67
	SK Networks service Co., Ltd.	164	316	11,174	22,860	1,554	1,560
	SK Telesys Co., Ltd.	55	103	232	439	20,933	27,198
	SK TNS Co., Ltd.	25	50	6,364	6,757	77,018	89,167
	SK energy Co., Ltd	746	1,333	141	145	-	-
	SKC Infra Services Co., Ltd	29	33	2,067	4,470	-	506
	SK Infosec Co., Ltd	74	76	8,456	15,116	1,084	1,121
	Others	2,770	5,759	1,437	2,485	-	-
		10,501	19,601	33,587	60,604	100,656	119,619
		₩ 89,672	326,985	828,432	1,834,325	139,336	166,325

For the six-month periods ended June 30, 2019 and 2018

27. Transactions with Related Parties, Continued

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

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

(*2) Operating expenses and others include ₩426,952 million paid to PS&Marketing Corporation relating to the purchase of accounts receivables resulting from sale of handsets.

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

(*4) Operating revenue and others include ₩1,676 million of dividend income accrued from Korea IT Fund and UniSK.

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

27. Transactions with Related Parties, Continued

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

(In millions of won)

Scope	Company	June 30, 2019		
		Receivables		Payables
		Loans	Accounts receivable – trade, etc.	Accounts payable – other, etc.
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩ -	2,308	35,496
Subsidiaries	SK Broadband Co., Ltd.	-	12,863	50,364
	PS&Marketing Corporation	-	158	98,522
	SK O&S Co., Ltd.	-	-	-
	(Formerly, Network O&S Co., Ltd.)	-	302	31,375
	SK Planet Co., Ltd.	-	211	24,357
	SK Telink Co., Ltd.	-	9,312	5,188
	SERVICE ACE Co., Ltd.	-	76	18,219
	SERVICE TOP Co., Ltd.	-	134	19,696
	Eleven Street Co., Ltd.	-	580	1,354
	One Store Co., Ltd.	-	439	26,296
	SK m&service Co., Ltd.	-	2,730	3,177
	Others	-	1,796	23,933
		-	28,601	302,481
		-	67	3,938
Associates	F&U Credit information Co., Ltd.	-	67	3,938
	SK hynix Inc.	-	2,702	137
	Wave City Development Co., Ltd.	-	31,523	-
	Daehan Kanggun BcN Co., Ltd.(*)	22,147	-	-
	KEB HanaCard Co., Ltd.	-	565	7,010
	Others	408	8,131	1,551
		22,555	42,988	12,636
Other	SK Engineering and Construction Co., Ltd.	-	232	111
	SK Innovation Co., Ltd.	-	2,846	2,153
	SK Networks Co., Ltd.	-	948	27,475
	SK Networks Services Co., Ltd.	-	-	4,195
	SK Telesys Co., Ltd.	-	21	7,500
	SK TNS Co., Ltd.	-	7	41,844
	SK Energy Co., Ltd	-	130	175
	Others	-	1,679	1,442
		-	5,863	84,895
		₩ 22,555	79,760	435,508

(*) As of June 30, 2019, the Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.

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27. Transactions with Related Parties, Continued

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

(In millions of won)

Scope	Company	December 31, 2018		
		Receivables		Payables
		Loans	Accounts receivable – trade, etc.	Accounts payable – 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.	-	-	-
	(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 six-month period ended June 30, 2019 are described in note 8.

For the six-month periods ended June 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 ₩570,601 million as of June 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 June 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.

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

29. Statements of Cash Flows

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

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Gain on foreign currency translations	₩ (1,910)	(1,604)
Interest income	(14,819)	(24,284)
Dividends	(514,181)	(162,918)
Gain relating to financial assets at FVTPL	(309)	(1,692)
Gain on disposal of property and equipment and intangible assets	(2,699)	(1,000)
Gain relating to financial liabilities at FVTPL	(56)	-
Gain on valuation of derivatives	(465)	(897)
Gain on settlement of derivatives	(389)	-
Gain on sale of accounts receivable – other	(11,987)	(8,139)
Other income	(105)	(72)
Loss on foreign currency translations	1,915	65
Bad debt for accounts receivable – trade	3,023	8,593
Bad debt for accounts receivable – other	1,648	1,498
Loss relating to financial assets at FVTPL	365	578
Depreciation and amortization	1,364,560	1,253,390
Loss on disposal of property and equipment and intangible assets	7,644	15,979
Loss on impairment of property and equipment and intangible assets	63	-
Interest expenses	125,883	118,383
Loss relating to financial liabilities at FVTPL	43	780
Loss on settlement of derivatives	317	12,156
Loss on sale of accounts receivable – other	560	-
Retirement benefit expenses	22,187	19,699
Share option	157	289
Income tax expense	173,203	189,204
Other expenses	3,206	-
	₩ 1,157,854	1,420,008

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018

29. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2019 and 2018 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Accounts receivable – trade	₩ (93,675)	114,762
Accounts receivable – other	68,429	147,405
Advance payments	(11,477)	6,646
Prepaid expenses	(38,234)	37,135
Inventories	(1,384)	4,633
Long-term accounts receivable – other	(16,518)	37,042
Long-term prepaid expenses	(80,958)	-
Guarantee deposits	(1,169)	(8,519)
Contract assets	(2,873)	(6,293)
Accounts payable – other	8,640	(170,167)
Withholdings	(109,613)	55,763
Deposits received	(372)	(674)
Accrued expenses	(37,581)	(156,883)
Provisions	(337)	(3,761)
Long-term provisions	-	1,580
Plan assets	335	6,642
Retirement benefit payment	(10,077)	(5,886)
Contract liabilities	9,773	14,436
Others	8,291	(3,346)
	₩ (308,800)	70,515

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

(In millions of won)

	For the six-month period ended	
	June 30, 2019	June 30, 2018
Decrease in accounts payable – other relating to the acquisition of property and equipment and intangible assets	₩ (59,804)	(292,135)
Increase of right-of-use assets upon adoption of K-IFRS 1116	193,513	-

30. Subsequent Events

The board of directors of the Company resolved to pay the interim dividend at the board meeting on July 25, 2019, and the details are as follows:

Interim dividend amount	₩1,000 per share (Total amount: ₩71,870 million)
Dividend rate	0.4%
Dividend date	June 30, 2019
Date of distribution	According to Article 464 Commercial Act 2-1, the Company is to distribute dividends by August 25, 2019.