



SEMI-ANNUAL BUSINESS REPORT

(From January 1, 2017 to June 30, 2017)

THIS IS A SUMMARY OF THE SEMI-ANNUAL BUSINESS REPORT ORIGINALLY PREPARED IN KOREAN WHICH IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SERVICES COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

ALL REFERENCES TO THE "COMPANY," "WE," "US," OR "OUR" SHALL MEAN SK TELECOM CO., LTD. AND, UNLESS THE CONTEXT OTHERWISE REQUIRES, ITS CONSOLIDATED SUBSIDIARIES. REFERENCES TO "SK TELECOM" SHALL MEAN SK TELECOM CO., LTD., BUT SHALL NOT INCLUDE ITS CONSOLIDATED SUBSIDIARIES.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A CONSOLIDATED BASIS IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FOR USE IN KOREA ("K-IFRS") WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES.



COMPANY OVERVIEW

1. Company Overview

The Company's semi-annual business report for the six months ended June 30, 2017 includes the following consolidated subsidiaries:

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2016 (millions of Won)	Material Subsidiary*
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	440,956	Material
SK M&Service Co., Ltd.	Feb. 10, 2000	Online information services	107,768	Material
SK Communications Co., Ltd.	Sept. 19, 1996	Internet portal and other Internet information services	128,233	Material
Stonebridge Cinema Fund	Sept. 30, 2005	Investment partnership	3,615	
SK Broadband Co., Ltd.	Sept. 5, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,523,494	Material
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	13,514	
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	546,803	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	67,735	
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	59,004	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	69,774	
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	1,935,663	Material
NSOK Co., Ltd.	Jun. 12, 2008	Security system services	65,025	
Iriver Ltd.	Jul. 12, 2000	Audio device manufacturing	54,063	
Iriver Enterprise Ltd.	Jan. 14, 2014	Management of Chinese subsidiary	4,059	
Iriver Inc.	Feb. 15, 2007	North America marketing and sales	2,722	
Iriver China Co., Ltd.	Jun 24, 2004	Electronic device manufacturing	4,119	
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	127	
groovers Japan Co. Ltd.	Feb. 25, 2015	Contents and information distribution	1,466	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment (holding company)	39,289	
SK Global Healthcare Business Group, Ltd.	Sept. 14, 2012	Investment (SPC)	44,755	
SK Planet Japan, K. K.	Mar. 14, 2012	Digital contents sourcing services	4,026	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	4,664	
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	357	
SKP GLOBAL HOLDINGS PTE, LTD.	Aug. 10, 2012	Investment (holding company)	47,507	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	48,369	
SKP America LLC	Jan. 27, 2012	Digital contents sourcing services	439,209	Material



Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2016 (millions of Won)	Material Subsidiary*
YTK Investment Ltd.	Jul. 1, 2010	Investment	16,826	
Atlas Investment	Jun. 24, 2011	Investment	79,477	Material
SK Telecom Innovation Fund, L.P.	Jan. 15, 2016	Investment	36,031	
SK Telecom China Fund I L.P.	Sept. 14, 2011	Investment	22,182	
Entrix Co., Ltd.	July 1, 2015	Telecommunication services	20,360	
SK TechX Co., Ltd.	Mar. 1, 2016	Telecommunication services	212,819	Material
Onestore Co., Ltd.	Mar. 1, 2016	Contents distribution	134,207	Material
Shopkick Management Company, Inc.	Oct. 9, 2014	Investment	354,627	Material
Shopkick, Inc.	Jun. 1, 2009	Mileage based e-commerce application development	37,947	
Planet 11 E-commerce Solutions India Pvt. Ltd.	Sept. 1, 2014	E-commerce management	1,604	
11 street (Thailand) Co., Ltd.	Apr. 5, 2016	E-commerce	17,886	
HelloNature Co., Ltd.	Jan. 5, 2012	B2C organic food e-commerce	548	
Home&Service Co., Ltd.	June 5, 2017	Information and telecommunication system maintenance	45,692	

- ※ Material Subsidiary means a subsidiary with total assets of Won 75 billion or more as of the end of the latest fiscal year.
- ※ On January 2, 2017, SK M&Service Co., Ltd. changed its name to SK M&Service Co., Ltd. from M&Service Co., Ltd.
- ※ On April 6, 2017, NSOK Co., Ltd. changed its name to NSOK Co., Ltd. from Neosnetworks Co., Ltd.

Home&Service Co., Ltd. was newly established as a subsidiary of SK Broadband Co., Ltd. in the second quarter of 2017.

A. Corporate Legal Business Name: SK Telecom Co., Ltd.

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

- (1) Address: 65 Euljiro, Jung-gu, Seoul, Korea
- (2) Phone: +82-2-6100-2114
- (3) Website: <http://www.sktelecom.com>

D. Major Businesses

- (1) Wireless business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. We continue to maintain our reputation as the unparalleled premium network operator in the 2G, 3G and LTE markets on the basis of our technological leadership and network management technology.



In order to strengthen its sales channels, the Company has been offering a variety of fixed-line and wireless telecommunication convergence products through its subsidiary, PS&Marketing Co., Ltd. (“PS&Marketing”). PS&Marketing provides differentiated service to customers through the establishment of new sales channels and product development. Through its subsidiaries Service Ace Co., Ltd. and Service Top Co., Ltd, the Company operates customer service centers in Seoul and provides telemarketing services. Additionally, Network O&S Co., Ltd., the Company’s subsidiary responsible for the operation of the Company’s 2G to 4G networks, provides customers with quality network services and provides the Company with technological know-how in network operations.

The Company plans to increase its profitability by strengthening its retention policy, which is the fundamental basis of competitiveness for telecommunication companies in this data-intensive era. The Company will lead the information and communication technology (“ICT”) trend by providing products through which customers can have a distinctive experience and by providing innovative services to transition to service-based competition.

In addition to the mobile network operator (“MNO”) business, the Company is building next-generation growth businesses in Internet of Things (“IoT”) solutions and artificial intelligence. In July 2016, the Company deployed the world’s first low-cost Low Power Wide Area Network designed to support IoT devices based on LoRa technology. In September 2016, the Company launched NUGU, the first intelligent virtual assistant service launched in Korea with Korean language capabilities based on advanced voice recognition technologies. The Company plans to further utilize its big data analysis capabilities to achieve growth in new business areas such as artificial intelligence.

(2) Fixed-line business

SK Broadband Co., Ltd. (“SK Broadband”) is engaged in providing telecommunications, broadcasting and new media services and various other services that are permitted to be carried out by SK Broadband under relevant regulations, as well as business activities that are directly or indirectly related to providing those services. In 1999, SK Broadband launched its high-speed Internet service in Seoul, Busan, Incheon and Ulsan and currently provides such services nationwide. SK Broadband also commercialized its TV-Portal service in July 2006 and its IPTV service in January 2009 upon receipt of permit in September 2008.

(3) Other businesses

The Company is a leading player in the Korean e-commerce industry with 11th Street, an e-commerce platform service that connects various sellers and purchasers through its online and mobile platforms, “Shocking Deal,” a mobile commerce curation service and BENEPIA, a customized benefits and rewards service platform. In addition, the Company has rapidly grown into a top tier player in Turkey, Indonesia and Malaysia after launching open market businesses in these countries by optimizing its businesses for the respective local markets and utilizing its expertise in the e-commerce platform business. In the online-to-offline (“O2O”) area, the Company is a leading player and continues to expand its market power with OK Cashbag, Korea’s largest loyalty mileage program, SyrupWallet, which offers smart shopping services utilizing its network of business partners and information technology such as big data, and other Syrup-related services such as gifticon, Syrup Table and Syrup Pay. The Company focuses on the mobile platform to connect various on- and offline commerce service platforms that provide various benefits and information at the right place and the right time to give consumers a pleasant and convenient shopping experience and retailers an integrated marketing solution to reach their target audience. The Company intends to continue its efforts to secure the market leading position in these markets.

In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services. The Company offers differentiated services utilizing a combination of big data, research-driven insight, sophisticated communication strategies, innovative and creative strategies, optimized media execution and powerful promotions. Surpassing the role of a conventional advertising agency, the Company helps businesses create new value.



In the location-based services business area, the Company provides real time traffic information and various local information through its T-Map Navigation service. In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, Onestore. The Company provides integrated Internet portal services through NATE and instant messaging services through NATE-ON. In the mobile internet service business area, the Company provides portal-based services and Cymera, which is a camera application. In the portal service business area, key sources of revenue are display advertising, search engine-based advertising, and contents and other services.

See “II-1. Business Overview” for more information.



E. Credit Ratings

(1) Corporate bonds

<u>Credit rating date</u>	<u>Subject of rating</u>	<u>Credit rating</u>	<u>Credit rating entity (Credit rating range)</u>	<u>Rating classification</u>
April 22, 2014	Corporate bond	AAA	Korea Ratings	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Ratings	Current rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
October 15, 2014	Corporate bond	AAA	Korea Ratings	Current rating
October 15, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 15, 2014	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
February 9, 2015	Corporate bond	AAA	Korea Ratings	Current rating
February 9, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 9, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
May 21, 2015	Corporate bond	AAA	Korea Ratings	Regular rating
May 27, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 10, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Regular rating
July 6, 2015	Corporate bond	AAA	Korea Ratings	Current rating
July 6, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
July 6, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
October 26, 2015	Corporate bond	AAA	Korea Ratings	Current rating
October 26, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 26, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
February 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
May 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
April 12, 2017	Corporate bond	AAA	Korea Ratings	Regular rating
April 12, 2017	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 12, 2017	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Regular rating
April 12, 2017	Corporate bond	AAA	Korea Ratings	Current rating
April 12, 2017	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 12, 2017	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating

* Rating definition: "AAA" - The certainty of principal and interest payment is at the highest level with extremely low investment risk and is stable such that it will not be influenced by reasonably foreseeable changes in external factors.

(2) Commercial paper ("CP")

<u>Credit rating date</u>	<u>Subject of rating</u>	<u>Credit rating</u>	<u>Credit rating entity (Credit rating range)</u>	<u>Rating classification</u>
April 22, 2014	CP	A1	Korea Ratings	Current rating
April 22, 2014	CP	A1	Korea Investors Service, Inc.	Current rating
April 22, 2014	CP	A1	NICE Investors Service Co., Ltd.	Current rating



Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
October 15, 2014	CP	A1	Korea Ratings	Regular rating
October 15, 2014	CP	A1	Korea Investors Service, Inc.	Regular rating
October 15, 2014	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
May 21, 2015	CP	A1	Korea Ratings	Current rating
May 27, 2015	CP	A1	Korea Investors Service, Inc.	Current rating
June 10, 2015	CP	A1	NICE Investors Service Co., Ltd.	Current rating
January 19, 2016	Short-term bond	A1	Korea Ratings	Current rating
January 19, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
January 19, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
April 27, 2016	CP	A1	Korea Ratings	Current rating
April 27, 2016	Short-term bond	A1	Korea Ratings	Current rating
May 11, 2016	CP	A1	Korea Investors Service, Inc.	Current rating
May 11, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
May 12, 2016	CP	A1	NICE Investors Service Co., Ltd.	Current rating
May 12, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
October 26, 2016	CP	A1	Korea Ratings	Regular rating
October 26, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	Short-term bond	A1	Korea Ratings	Regular rating
November 3, 2016	CP	A1	Korea Investors Service, Inc.	Regular rating
November 3, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
April 12, 2017	CP	A1	Korea Ratings	Current rating
April 12, 2017	CP	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 12, 2017	Short-term bond	A1	Korea Ratings	Current rating
April 12, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating

* Rating definition: "A1" - Timely repayment capability is at the highest level with extremely low investment risk and is stable such that it will not be influenced by reasonably foreseeable changes in external factors.

(3) International credit ratings

Date of credit rating	Subject of rating	Credit rating of securities	Credit rating company	Rating type
June 4, 2012	Bonds denominated in Swiss Franc	A3	Moody's Investors Service	Current rating
June 6, 2012	Bonds denominated in Swiss Franc	A-	Fitch Inc.	Current rating
June 7, 2012	Bonds denominated in Swiss Franc	A-	Standard & Poor's Rating Services	Current rating
October 24, 2012	Bonds denominated in U.S. dollars	A-	Fitch Inc.	Current rating
October 24, 2012	Bonds denominated in U.S. dollars	A3	Moody's Investors Service	Current rating
October 24, 2012	Bonds denominated in U.S. dollars	A-	Standard & Poor's Rating Services	Current rating

* On August 9, 2013, Moody's Investors Service raised the outlook on the Company's rating from A3 (Negative) to A3 (Stable).

* On November 4, 2015, S&P lowered the outlook on the Company's rating from A- (Positive) to A- (Stable).



2. Company History

February 2012: Purchased shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.)

June 2015: Consummation of the comprehensive share exchange transaction (the “Share Exchange”) through which the Company acquired all of the shares of SK Broadband that it did not otherwise own in exchange for its treasury shares such that SK Broadband became a wholly-owned subsidiary of the Company.

April 2016: The spin-off and merger of the location-based services business and the mobile phone verification services business of SK Planet Co., Ltd.

A. Location of Headquarters

- 22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)
- 16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)
- 267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)
- 99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)
- 65 Euljiro, Jung-gu, Seoul (December 13, 2004)

B. Significant Changes in Management

At the 30th General Meeting of Shareholders held on March 21, 2014, Jae Hoon Lee was elected as an independent director and Jae Hyeon Ahn was elected as an independent director and member of the audit committee of the Company’s board of directors. At the 31st General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was elected as an inside director. At the 32nd General Meeting of Shareholders held on March 18, 2016, Dae Sik Cho was re-elected as an inside director and Dae Shick Oh was re-elected as an independent director and member of the audit committee of the Company’s board of directors. At the 33rd General Meeting of Shareholders held on March 24, 2017, Jung Ho Park was elected as an inside director and Dae Sik Cho was elected as a non-executive director. Jae Hoon Lee and Jae Hyeon Ahn were re-elected as independent directors and members of the audit committee and Jung Ho Ahn was elected as an independent director.

C. Change in Company Name

On March 23, 2012, SK hynix Inc., which became a subsidiary in February 2012, changed its name to SK hynix Inc. from Hynix Semiconductor Inc. in accordance with a resolution at its annual general meeting of shareholders.

On January 2, 2017, SK M&Service Co., Ltd., one of the Company’s subsidiaries, changed its name to SK M&Service Co., Ltd. from M&Service Co., Ltd. in accordance with a resolution at its general meeting of shareholders on December 26, 2016.

D. Mergers, Acquisitions and Restructuring

- (1) Merger of SK Planet and SK Marketing & Company Co., Ltd.

On January 11, 2013, the Company acquired the remaining 50% equity stake in SK Marketing & Company Co., Ltd. (“SK Marketing & Company”), a company providing e-commerce and advertising services, from SK Innovation Co., Ltd. and gained control of both SK Marketing & Company and its subsidiary, M&Service Co., Ltd. The Company thereafter contributed the 100% equity stake in SK Marketing & Company to SK Planet and merged SK Marketing & Company into SK Planet as of February 1, 2013.



(2) Acquisition of shares of PS&Marketing

On February 20, 2014, the board of directors of the Company resolved to invest an additional Won 100 billion (20 million common shares) into PS&Marketing, an affiliated company, in order to increase its mid- to long-term competitiveness in distribution. The date of investment was April 2, 2014, and the cumulative investment amount totaled Won 330 billion.

(3) Disposition of shares of iHQ Inc.

On March 10, 2014, the Company disposed of 3,790,000 shares (its 9.4% equity share) of iHQ Inc. to rebalance its investment portfolio.

(4) Acquisition of shares of NSOK Co., Ltd. (“NSOK”) (formerly, Neosnetworks Co., Ltd.)

In order to acquire a new growth engine, the Company acquired a controlling stake in NSOK, a building security company, with the purchase of 31,310 shares (a 66.7% equity interest) of NSOK on April 2, 2014. The Company acquired an additional 50,377 shares in NSOK in April 2015 through a rights offering, resulting in an increase of its ownership to 83.9%.

(5) Acquisition of shares of Iriver

On August 13, 2014, the Company purchased 10,241,722 shares (a 39.3% equity interest) of Iriver Ltd. (“Iriver”) from Vogo-Rio Investment Holdings Co., Ltd. and KGF-Rio Limited in order to foster application development and smartphone accessories as part of the Company’s growth engines. The Company holds a 48.9% equity interest of Iriver by acquiring additional shares in its rights offering. The Company does not hold a majority of the voting rights of Iriver but the Company has concluded that it has effective control, as it holds significantly more voting rights than any other shareholder or any organized group of shareholders.

(6) Acquisition of shares of Shopkick, Inc. (“Shopkick”)

On October 10 2014, SK Planet America LLC, a subsidiary of the Company, acquired (through its 95.2%-owned subsidiary Shopkick Management Company, Inc.) a 100.0% ownership interest in Shopkick, a developer of a shopping app for mobile devices that provides benefits to customers for visiting stores, in order to penetrate the mobile commerce market in the United States. In the first half of 2016, SK Planet America LLC acquired all remaining shares of Shopkick Management Company, Inc.

(7) Disposition of Shenzhen E-Eye shares

In 2014, the Company entered into an agreement to dispose of its equity interest in Shenzhen E-eye in order to focus its business portfolio on high-growth business areas in the Chinese ICT market. The sale was completed on March 23, 2015.

(8) Disposition of a portion of KEB Hana Card shares

On April 3, 2015, the Company sold 27,725,264 shares (10.4% out of the 25.4% equity interest the Company held prior to the sale) of KEB Hana Card Co., Ltd. to Hana Financial Group in cash. With the proceeds of such sale (Won 180 billion), the Company acquired equity interests in Hana Financial Group on April 17, 2015 through participation in a rights offering by Hana Financial Group. The Company plans to maintain its strategic alliance and pursue opportunities to create synergies with, Hana Financial Group.

(9) SK Broadband - Comprehensive Share Exchange

On March 20, 2015, the Company’s board of directors resolved to approve the Share Exchange.

- Share Exchange ratio: Shareholders of one common share of SK Broadband were allotted 0.0168936 common shares of SK Telecom



- Shares exchanged: 2,471,883 registered common shares of SK Telecom
- Date of Share Exchange agreement: March 23, 2015
- Record date: April 6, 2015
- Announcement date for the proceeding of the Share Exchange as a small-scale share swap: April 6, 2015
- Meeting of board of directors for approval of the Share Exchange: May 6, 2015
- Date of the Share Exchange: June 9, 2015

(10) Establishment of Entrix Co., Ltd.

In July 2015, SK Planet spun off its cloud streaming division and established Entrix Co., Ltd. The Company exchanged 1,300,000 shares of SK Planet for 1,300,000 shares of Entrix at the time of the spin-off and later acquired an additional 2,857,000 shares by participating in the recapitalization.

(11) Additional capital raise by NanoEnTek Inc.

In 2015, the Company acquired 1,090,155 shares through the additional capital raise by NanoEnTek.

(12) Reclassification of Packet One Networks' accounts

In 2015, the Company reclassified its investments in Packet One from investments in associates and joint ventures to assets classified as held for sale as the Company no longer had significant control over Packet One. The difference between the book value and the fair value of Won 37.4 billion at the time of reclassification was recognized as impairment loss.

(13) Acquisition of shares of SK Communications Co., Ltd. ("SK Communications")

On October 1, 2015, the Company became the largest shareholder of SK Communications with a 64.54% equity interest through dividends in kind from SK Planet of 26,523,815 shares and the purchase of 1,506,130 shares over-the-counter.

(14) Acquisition of shares of CJ HelloVision Co., Ltd. ("CJ HelloVision")

On November 2, 2015, the Company's board of directors resolved to approve the acquisition of CJ HelloVision's shares from CJ O Shopping Co., Ltd. ("CJ O Shopping") and on the same day, entered into a share purchase agreement with CJ O Shopping. In addition, on November 2, 2015, SK Broadband's board of directors resolved to approve the merger of SK Broadband with CJ HelloVision and on the same day, entered into a merger agreement with CJ HelloVision and the closing of the merger was conditioned upon receipt of regulatory approval from relevant authorities. On July 25, 2016, the Company notified CJ O Shopping of the termination of the share purchase agreement and SK Broadband notified CJ HelloVision of the termination of the merger agreement, as the Korea Fair Trade Commission on July 18, 2016 denied approval of the proposed merger, which was a closing condition to the consummation of the merger.

(15) Tender offer of shares of CJ HelloVision

From November 2, 2015 to November 23, 2015, the Company purchased 6,671,933 shares of CJ Hellovision in a tender offer for up to 10,000,000 shares, paying Won 12,000 per share. Through this tender offer, the Company acquired an 8.61% equity interest in CJ HelloVision.

(16) Establishment of SK TechX Co., Ltd. and Onestore



In March 2016, SK Planet spun off its platform business and T Store business and established SK TechX and Onestore. The Company exchanged 12,323,905 shares of SK Planet for 6,323,905 shares of SK TechX and 6,000,000 shares of Onestore at the time of the spin-off. The Company later acquired an additional 4,409,600 shares of Onestore at a purchase price of Won 22 billion by participating in the follow-on rights offering. The Company did not participate in the subsequent follow-on rights offering and as of June 30, 2017, the Company has a 65.5% interest in Onestore.

(17) Spin-off and merger of SK Planet's location-based services business and mobile phone verification services business

Through the merger of SK Planet's location-based services business and mobile phone verification services business into SK Telecom, the Company seeks to provide a solid base for continued growth, especially in the next generation platform business, and SK Planet plans to further concentrate its resources on its commerce business. The spin-off and merger was effective as of April 5, 2016 and was registered as of April 7, 2016. SK Planet is a wholly-owned subsidiary of the Company, and as the Company did not issue any new shares in connection with the merger, there was no change in the share ownership of the Company.

(18) Establishment of Hana-SK Fintech Corporation

In order to provide an everyday finance platform, the Company entered into a joint venture agreement with Hana Financial Group, in accordance with the resolution of the Company's board of directors on July 28, 2016. Combining the Company's leading mobile technology and big data analysis capabilities with Hana Financial Group's financial service, Hana-SK Fintech Corporation plans to provide innovative mobile financial services such as mobile asset management, easy payment and overseas wire transfer services. SK Telecom holds a 49% equity stake in the joint venture, and Hana Financial Group holds the remaining 51%. The services are scheduled to launch in the first half of 2017.

(19) Capital contribution of shares of NSOK for new shares of SK Telink Co., Ltd. ("SK Telink")

On October 25, 2016, the Company made a capital contribution of all shares of NSOK owned by the Company to SK Telink in exchange for 219,967 newly issued shares of SK Telink, which resulted in an increase of the Company's equity interest in SK Telink to 85.86%.

(20) Acquisition of shares of SM Mobile Communications

In October 2016, the Company transferred the media platform businesses Hotzil and 5Ducks to SM Mobile Communications in exchange for 1,200,000 shares of SM Mobile Communications. As a result, the Company owned a 46.2% equity interest in SM Mobile Communications as of June 30, 2017.

(21) Exchange of shares of SK Communications

On November 24, 2016, the Company's board of directors resolved to approve the payment of cash consideration in lieu of the issuance of shares of the Company in a comprehensive exchange of shares of SK Communications. The amount of cash consideration was based on a share exchange ratio of one common share of the Company to 0.0125970 common share of SK Communications. In February 2017, SK Communications became a wholly-owned subsidiary of the Company.

[SK Broadband]

(1) Share Exchange

On March 20, 2015, the board of directors of SK Broadband resolved to approve the comprehensive exchange of shares of SK Broadband for shares of the Company. The share exchange was approved at the extraordinary meeting of shareholders held on May 6, 2015. Subsequent to the share exchange, the Company became the parent company of SK Broadband with 100% ownership and remained a listed corporation on the KRX KOSPI Market, and SK Broadband became a wholly-owned subsidiary of the Company and was delisted from the KRX KOSDAQ Market. There was no change in the share ownership interest of the Company's existing shareholders or the Company's management in connection with the Share Exchange.



(2) Merger among Subsidiaries and Affiliates

On July 29, 2015, the board of directors of SK Broadband approved the acquisition of SK Planet's Hoppin business through a spin-off and subsequent merger transaction pursuant to Article 530-2 of the Korean Commercial Code, with both SK Broadband and SK Planet remaining as existing companies. The spin-off and subsequent merger were effective as of September 1, 2015, and on the same day, SK Broadband issued 2,501,125 new common shares resulting from the merger, allotting 0.0349186 common shares of SK Broadband per one common share of SK Planet to SK Telecom, SK Planet's sole shareholder.

(3) Merger with CJ HelloVision

On November 2, 2015, SK Broadband's board of directors resolved to approve the merger of SK Broadband with CJ HelloVision such that CJ HelloVision would be the surviving entity and SK Broadband would be the non-surviving entity. The largest shareholder of the merged entity would be SK Telecom with an equity interest of 78.35%. On February 26, 2016, the entry into the merger agreement was resolved as proposed by SK Broadband's shareholders.

On July 25, 2016, SK Broadband notified CJ HelloVision of the termination of the merger agreement, as the Korea Fair Trade Commission on July 18, 2016 denied approval of the proposed merger, which was a closing condition to the consummation of the merger. On July 27, 2016, SK Broadband's board of directors resolved to terminate the merger agreement as proposed. Subsequently, the merger agreement is no longer effective and all procedures related to the merger, including the issuance of new shares, were terminated.

(4) Establishment of a subsidiary

On May 23, 2017, SK Broadband's board of directors resolved to approve the establishment of a subsidiary. On June 5, 2017, SK Broadband established Home&Service Co., Ltd. ("Home&Service"), a subsidiary responsible for the management of customer service operations, in order to enhance SK Broadband's competitiveness by strengthening its customer service and strategically developing its home Value Delivery channel and to create quality jobs. Home&Service was incorporated by SK Broadband under the Korean Commercial Code. The subsidiary was capitalized at Won 46 billion (9,200,000 shares with par value of Won 5,000 per share), and SK Broadband holds a 100% equity interest. The Korea Fair Trade Commission approved the subsidiary's incorporation as an SK affiliate on July 1, 2017, from which arises a duty to report to the Fair Trade Commission.

[SK Planet]

On January 11, 2013, the Company acquired the remaining 50% equity stake in SK Marketing & Company, a company providing e-commerce and advertising services, from SK Innovation Co., Ltd. and gained control of both SK Marketing & Company and its subsidiary, M&Service Co., Ltd. The Company thereafter contributed the 100% equity stake in SK Marketing & Company to SK Planet and merged SK Marketing & Company into SK Planet as of February 1, 2013. In connection with the capital contribution and merger, SK Planet issued 12,927,317 of its common stock to SK Telecom.

On April 22, 2013, the board of directors of SK Planet resolved to merge Madsmart, Inc., its wholly-owned subsidiary, into SK Planet to enhance the competitiveness of its platform business and provide faster service to customers by merging the ICT capabilities of the two companies. The merger was effective as of June 1, 2013 and SK Planet did not issue any new shares in connection with the merger.

On May 29, 2015, the board of directors of SK Planet resolved to spin off its cloud streaming division on July 1, 2015 in order to strengthen its business capabilities and expand overseas. The spin-off ratio was 0.9821740 for the surviving company to 0.0178260 for the newly-established company, and the capital reduction ratio was 1.7825968%.



On July 29, 2015, the board of directors of SK Planet resolved to spin off its Hoppin business, which was merged into SK Broadband on September 1, 2015, in order to unify capabilities within the business and maximize synergies to improve its competitive power in the Korean and international mobile media market. SK Planet issued 2,501,125 new common shares in connection with this transaction, and the merger ratio between SK Planet and SK Broadband was 0.0349186:1.

On December 29, 2015, the board of directors of SK Planet resolved to merge Commerce Planet Co., Ltd., its wholly-owned subsidiary, into SK Planet to generate synergies by uniting capabilities to promote its commerce business. The merger was effective as of February 1, 2016, and SK Planet did not issue any new shares in connection with the merger.

Effective as of March 1, 2016, SK Planet spun off its platform business and T Store business in order to enhance the competitiveness of each business for future growth.

Effective as of April 5, 2016, SK Planet spun off its location-based services business and mobile phone verification services business and merged them into the Company in order to further concentrate its resources on its commerce business.

On May 29, 2017, the board of directors of SK Planet resolved to transfer the operations and assets related to its BENEPIA business to SK M&Service Co., Ltd. as of July 1, 2017.

[SK Telink]

In accordance with the resolution of its board of directors on September 22, 2016, SK Telink received a capital contribution of 408,435 shares (an 83.9% equity interest) of NSOK owned by SK Telecom. On October 25, 2016, SK Telink acquired the remaining 78,200 outstanding shares (a 16.1% equity interest) of NSOK, pursuant to which NSOK became a wholly-owned subsidiary of SK Telink.

In accordance with the resolution of its board of directors on April 12, 2017, SK Telink acquired 525,824 additional shares of NSOK pursuant to a rights offering for an aggregate amount of Won 40.0 billion (or Won 76,071 per share), resulting in SK Telink's ownership of 1,012,459 shares (a 100% equity interest) of NSOK.

[SK Communications]

(1) Disposition of the Cyworld service

Pursuant to the resolution of its board of directors on March 6, 2014, SK Communications sold its Cyworld service and certain related assets to Cyworld Co., Ltd. for Won 2.8 billion on April 8, 2014.



(2) Change in the largest shareholder

On September 24, 2015, SK Telecom and SK Planet entered into a share transfer agreement to transfer all of the shares of SK Communications held by SK Planet to SK Telecom. The agreement became effective on October 1, 2015, making SK Telecom the largest shareholder of SK Communications.

(3) Comprehensive share exchange

Pursuant to the resolution of its board of directors on November 24, 2016, SK Communications entered into a comprehensive share exchange agreement with SK Telecom on November 25, 2016. Upon the consummation of the share exchange on February 7, 2017, SK Communications became a wholly-owned subsidiary of SK Telecom.

[PS&Marketing]

On February 20, 2014, the board of directors of PS&Marketing resolved to acquire the retail distribution business, including related assets, liabilities, contracts and human capital of the information technology and mobile wing of SK Networks. On the same day, the board of directors of PS&Marketing also resolved to acquire retail stores, including their assets and liabilities, of LCNC Co., Ltd (“LCNC”). The acquisitions were completed on April 30, 2014 at a purchase price of Won 124.5 billion for the assets acquired from SK Networks and a purchase price of Won 10 billion for the assets acquired from LCNC.

[NSOK]

On March 31, 2015, NSOK acquired the unmanned electronic security business of Joewn Safe to expand its unmanned security business. The acquisition cost, which had been reported on January 5, 2015 as Won 19.4 billion, was subject to adjustment depending on the customer transfer rate. The final acquisition cost was determined to be Won 16.9 billion.

[Iriver]

(1) Merger of Iriver CS Co., Ltd. (“Iriver CS”)

Pursuant to the resolution of its board of directors on November 18, 2014, Iriver decided to merge with Iriver CS, its wholly-owned subsidiary, with Iriver as the surviving entity. The merger was completed based on the merger ratio of 1:0 with no capital increase. The merger and merger registration were completed on January 31, 2015 and February 2, 2015, respectively.

(2) New Establishment of groovers Japan Co. Ltd. (“groovers Japan”)

On February 25, 2015, Iriver newly established its overseas subsidiary, groovers Japan, for the purpose of strengthening new business opportunities in Japan.

[SK M&Service]

(1) Acquisition of SK Planet’s BENEPIA business

Pursuant to the resolutions of its board of directors and its extraordinary shareholders meeting held on May 29, 2017, SK M&Service decided to acquire SK Planet’s BENEPIA business (including agency service for the Flexible Benefit Plan and related tangible and intangible assets, goodwill, systems, etc.) for Won 7.5 billion on July 1, 2017.



E. Other Important Matters related to Management Activities

[SK Telecom]

(1) Issuance of bonds

On May 14, 2014, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 50 billion (with an annual interest rate of 3.301% and a maturity date of May 14, 2019), Won 150 billion (with an annual interest rate of 3.637% and a maturity date of May 14, 2024), Won 50 billion (with embedded options, an annual interest rate of 4.725% and a maturity date of May 14, 2029), and Won 50 billion (with embedded options, an annual interest rate of 4.72% and a maturity date of May 14, 2029).

On October 28, 2014, the Company issued three tranches of fixed-rate unsecured bonds in the principal amounts of Won 160 billion (with an annual interest rate of 2.53% and a maturity date of October 28, 2019), Won 150 billion (with an annual interest rate of 2.66% and a maturity date of October 28, 2021), and Won 190 billion (with an annual interest rate of 2.82% and a maturity date of October 28, 2024).

On February 26, 2015, the Company issued three tranches of fixed-rate unsecured bonds in the principal amounts of Won 100 billion (with an annual interest rate of 2.40% and a maturity date of February 26, 2022), Won 150 billion (with an annual interest rate of 2.49% and a maturity date of February 26, 2025), and Won 50 billion (with an annual interest rate of 2.61% and a maturity date of February 26, 2030).

On July 17, 2015, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 90 billion (with an annual interest rate of 1.89% and a maturity date of July 17, 2018), Won 70 billion (with an annual interest rate of 2.66% and a maturity date of July 17, 2025), Won 90 billion (with an annual interest rate of 2.82% and a maturity date of July 17, 2030), and Won 50 billion (with an annual interest rate of 3.40% and a maturity date of July 17, 2030).

On November 30, 2015, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 80 billion (with an annual interest rate of 2.073% and a maturity date of November 30, 2018), Won 100 billion (with an annual interest rate of 2.550% and a maturity date of November 30, 2025), Won 70 billion (with an annual interest rate of 2.749% and a maturity date of November 30, 2035), and Won 50 billion (with embedded options, an annual interest rate of 3.100% and a maturity date of November 30, 2030).

On March 4, 2016, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 70 billion (with an annual interest rate of 1.651% and a maturity date of March 4, 2019), Won 100 billion (with an annual interest rate of 1.802% and a maturity date of March 4, 2021), Won 90 billion (with an annual interest rate of 2.077% and a maturity date of March 4, 2026), and Won 80 billion (with an annual interest rate of 2.243% and a maturity date of March 4, 2036).

On June 3, 2016, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 50 billion (with an annual interest rate of 1.621% and a maturity date of June 3, 2019), Won 50 billion (with an annual interest rate of 1.709% and a maturity date of June 3, 2021), Won 120 billion (with an annual interest rate of 1.973% and a maturity date of June 3, 2026), and Won 50 billion (with an annual interest rate of 2.172% and a maturity date of June 3, 2031).

On April 25, 2017, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 60 billion (with an annual interest rate of 1.925% and a maturity date of April 25, 2020), Won 120 billion (with an annual interest rate of 2.168% and a maturity date of April 25, 2022), Won 100 billion (with an annual interest rate of 2.552% and a maturity date of April 25, 2027), and Won 90 billion (with an annual interest rate of 2.649% and a maturity date of April 25, 2032).

(2) Issuance of hybrid securities

In June 2013, the Company issued Won 400 billion principal amount of hybrid securities in the form of unguaranteed subordinated bonds with an annual interest rate of 4.21%, which is based on the five-year Korean government bond yield plus a spread. An additional spread of 0.25% is payable beginning ten years from the date of issuance and an additional spread of 0.75% is payable after 25 years from the date of issuance. The Company classified the hybrid securities as equity, as there is no contractual obligation to deliver financial assets to the bondholders. The maturity date of the hybrid securities is June 7, 2073, which can be extended by the Company without any notice or announcement.



[SK Broadband]

SK Broadband acquired subscriberships of regional cable and other service providers on several different occasions. Such acquisitions were intended to secure a stable subscriber base for its broadband Internet service and, at the same time, increase the service coverage area. Because such acquisitions were conducted on a relatively small scale and involved the purchase of subscriberships, SK Broadband did not believe that such acquisitions rose to the level of purchasing an entire business line from another company or were likely to have a material impact on its business, and therefore decided that such acquisitions did not require resolutions of its shareholders.

3. Total Number of Shares

A. Total Number of Shares

(As of June 30, 2017)

(Unit: in shares)

Classification	Share type			Remarks
	Common shares	Preferred shares	Total	
I. Total number of authorized shares	220,000,000	—	220,000,000	—
II. Total number of shares issued to date	89,278,946	—	89,278,946	—
III. Total number of shares retired to date	8,533,235	—	8,533,235	—
a. reduction of capital	—	—	—	—
b. retirement with profit	8,533,235	—	8,533,235	—
c. redemption of redeemable shares	—	—	—	—
d. others	—	—	—	—
IV. Total number of shares (II-III)	80,745,711	—	80,745,711	—
V. Number of treasury shares	10,136,551	—	10,136,551	—
VI. Number of shares outstanding (IV-V)	70,609,160	—	70,609,160	—



B. Treasury Shares

(1) Acquisitions and dispositions of treasury shares

(As of June 30, 2017)

(Unit: in shares)

Acquisition methods	Type of shares	At the beginning of period	Changes			At the end of period
			Acquired (+)	Disposed (-)	Retired (-)	
Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ("FSCMA")	Direct acquisition from market	Common shares	10,136,551	—	—	10,136,551
		Preferred shares	—	—	—	—
	Direct over-the-counter acquisition	Common shares	—	—	—	—
		Preferred shares	—	—	—	—
	Tender offer	Common shares	—	—	—	—
		Preferred shares	—	—	—	—
	Sub-total	Common shares	10,136,551	—	—	10,136,551
		Preferred shares	—	—	—	—
	Acquisition through trust and other agreements	Held by trustee	Common shares	—	—	—
		Preferred shares	—	—	—	—
		Held in actual stock	Common shares	—	—	—
		Preferred shares	—	—	—	—
		Sub-total	Common shares	—	—	—
		Preferred shares	—	—	—	—
Other acquisition	Common shares	—	—	—	—	
	Preferred shares	—	—	—	—	
Total	Common shares	10,136,551	—	—	10,136,551	
	Preferred shares	—	—	—	—	

4. Status of Voting Rights

(As of June 30 2017)

(Unit: in shares)

Classification		Number of shares	Remarks
Total shares (A)	Common share	80,745,711	—
	Preferred share	—	—
Number of shares without voting rights (B)	Common share	10,136,551	Treasury shares
	Preferred share	—	—
Shares without voting rights pursuant to the Company's articles of incorporation (the "Articles of Incorporation") (C)	Common share	—	—
	Preferred share	—	—
Shares with restricted voting rights pursuant to Korean law (D)	Common share	—	—
	Preferred share	—	—
Shares with reestablished voting rights (E)	Common share	—	—
	Preferred share	—	—
The number of shares with exercisable voting rights (F = A - B - C - D + E)	Common share	70,609,160	—
	Preferred share	—	—



5. Dividends and Others

A. Dividends

- (1) Distribution of cash dividends was approved during the 31st General Meeting of Shareholders held on March 20, 2015.
 - Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.
- (2) Distribution of interim dividends of Won 1,000 was approved during the 378th Board of Directors' Meeting on July 23, 2015.
- (3) Distribution of cash dividends was approved during the 32nd General Meeting of Shareholders held on March 18, 2016.
 - Distribution of cash dividends per share of Won 9,000 (exclusive of an interim dividend of Won 1,000) was approved.
- (4) Distribution of interim dividends of Won 1,000 was approved during the 393rd Board of Directors' Meeting on July 28, 2016.
- (5) Distribution of cash dividends was approved during the 33rd General Meeting of Shareholders held on March 24, 2017.
 - Distribution of cash dividends per share of Won 9,000 (exclusive of an interim dividend of Won 1,000) was approved.
- (6) Distribution of interim dividends of Won 1,000 was approved during the 404th Board of Directors' Meeting on July 28, 2017.

**B. Dividends for the Last Three Fiscal Years**

(Unit: in millions of Won, except per share values and percentages)

Classification	As of and for the three	As of and for the year ended	As of and for the year ended
	months ended June 30, 2017	December 31, 2016	December 31, 2015
Par value per share (Won)	500	500	500
(Consolidated) Net income	1,214,023	1,675,967	1,518,604
Net income per share (Won)	17,074	23,497	20,988
Total cash dividend	70,609	706,091	708,111
Total stock dividends (Consolidated)	—	—	—
Percentage of cash dividend to available income (%)	5.8	42.1	46.6
Cash dividend yield ratio (%)	—	4.3	4.6
Stock dividend yield ratio (%)	—	—	—
Cash dividend per share (Won)	1,000	10,000	10,000
Stock dividend per share (share)	—	—	—

* Net income per share means basic net income per share. The cash dividend per share amounts include the respective interim cash dividend per share amounts.



II. BUSINESS

1. Business Overview

Each company in the consolidated entity is a separate legal entity providing independent services and products. The business is primarily separated into (1) the wireless business consisting of cellular voice, wireless data and wireless Internet services, (2) the fixed-line business consisting of fixed-line telephone, high speed Internet, data and network lease services, among others, and (3) other businesses consisting of platform services and Internet portal services, among others.

Set forth below is a summary business description of material consolidated subsidiaries.

<u>Classification</u>	<u>Company name</u>	<u>Description of business</u>
Wireless	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	Network O&S Co., Ltd.	Maintenance of switching stations
Fixed-line	SK Broadband Co., Ltd.	High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents
	SK Telink Co., Ltd.	Various media-related services, such as channel management, including video on demand, and mobile IPTV services
	SK Planet Co., Ltd.	International wireless direct-dial "00700" services, voice services using Internet protocol, Mobile Virtual Network Operator ("MVNO") business and automated security services
Other business	SK TechX Co., Ltd.	Various platform services such as 11th Street, Syrup, OK Cashbag in the commerce area
	Onestore Co., Ltd.	Develop and supply system software for SK Telecom
	SK Communications Co., Ltd.	Operate app store
	SK M&Service Co., Ltd.	Integrated portal services through NATE and instant messaging services through NATE-ON
	Iriver Ltd.	System software development, distribution and technical support services and other online information services
	SK Planet America LLC	Audio and video device manufacturing
Shopkick Management Company, Inc.	System software development, distribution and investments	
Atlas Investment	System software development, distribution and investments	
	Atlas Investment	Investments

[Wireless Business]

A. Industry Characteristics

The telecommunications services market can be categorized into telecommunications services (such as fixed-line, wireless, leased line and value-added services) and broadcasting and telecommunications convergence services. Pursuant to the Telecommunications Business Act, the telecommunications services market can be further classified into basic telecommunications (fixed-line and wireless telecommunications), special category telecommunications (resale of telecommunications equipment, facilities and services) and value-added telecommunications (internet connection and management, media contents and others). The size of the domestic telecommunications services market is determined based on various factors specific to Korea, including size of population that uses telecommunication services and telecommunications expenditures per capita. While it is possible for Korean telecommunication service providers to provide services abroad through acquisitions or otherwise, foreign telecommunication services markets have their own characteristics depending, among others, on the regulatory environment and demand for telecommunication services.



The Korean mobile communication market is considered to have reached its maturation stage with more than a 100% penetration rate. However, the Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE-A, LTE and 3G smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the commercialization of LTE network in July 2011 and LTE-A network in June 2013, B2B businesses, such as the corporate “connected workforce” business which can directly contribute to an enhancement in productivity, are expected to grow rapidly.

In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized. Since June 2017, through the commercialization of 5band CA technology, which is considered the final stage of LTE development, we have provided 4.5G service at the speed of 700Mbps to 900Mbps. Such achievements were the building blocks towards the Company’s LTE penetration reaching 73.6% as of June 30, 2017.

B. Growth Potential

(Unit: in 1,000 persons)

Classification		As of June 30,	As of December 31,	
		2017	2016	2015
Number of subscribers	SK Telecom	26,665	26,428	25,928
	Others (KT, LGU+)	27,764	27,018	26,088
	MVNO	7,199	6,841	5,921
	Total	61,628	60,287	57,937

* Source: Wireless subscriber data from the Ministry of Science, ICT and Future Planning (“MSIP”) as of June 30, 2017.

C. Domestic and Overseas Market Conditions

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. Sales revenue related to data services is expected to increase due to the increasing popularity of smartphones and high-speed wireless networks. There is also a growing importance to the business-to-business segment, which creates added value by selling and developing various solutions. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Set forth below is the historical market share of the Company.

(Unit: in percentages)

Classification	As of June 30,	As of December 31,		
	2017	2016	2015	2014
Mobile communication services	48.67	49.09	49.41	50.22

* Source: MSIP website and each Korean telecommunications company’s respective earnings releases (including MVNOs).

D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, in the second quarter of 2017, the Company recorded Won 4.3 trillion in revenue and Won 423.3 billion in operating income on a consolidated basis and Won 3.2 trillion in revenue and Won 462.3 billion in operating income on a separate basis. In particular, the number of subscribers subscribing to “Band Data” plans, which was launched in the second quarter of 2015, has continued to steadily increase in 2017, which in turn led to an increase in data usage. The success of Luna, a smartphone launched in September 2015 that was designed to run exclusively on the Company’s networks, led to the launch of various other relatively low-priced devices and became an example of successfully targeting a niche market.



By continuing to be innovative in developing core competencies, the Company has more firmly established its position as the market leader in wireless telecommunications. The competitive environment of the wireless telecommunications industry has become more focused on retention. In the second quarter of 2017, the average monthly churn rate was 1.4%. The number of subscribers (including MVNO subscribers) as of June 30, 2017, was 30.0 million, an increase of approximately 160,000 since March 31, 2017. In particular, the number of smartphone subscribers as of June 30, 2017, was 22.2 million, an increase of approximately 240,000 since December 31, 2016, propelled by 22.4 million LTE subscribers, solidifying the Company's market leadership. In addition, the Company continued to sell products targeted towards second devices such as the T Kids' phone – Joon and T Outdoor, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.

Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. The Company launched tri-band LTE-A services in December 2014 and 5band 4.5G services in June 2017. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services and full high definition mobile IPTV streaming services, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea's top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 20 years, 19 years and 18 years, respectively. The Company received the highest level of evaluation in 2016 by the Korea Commission for Corporate Partnership for the fifth consecutive year and was selected for the commission's Honored Corporation Award, demonstrating the Company's efforts to be fair and law-abiding in its path towards creating a New ICT ecosystem.

SK Telink, a consolidated subsidiary of the Company, expanded its operations to the MVNO business based on its technical expertise and know-how obtained in its international telecommunications business and launched its MVNO service, 7Mobile, which is offered at reasonable rates and provides excellent quality. SK Telink is increasing its efforts to develop low-cost distribution channels and create niche markets through targeted marketing towards customers with lower average revenue per user. An MVNO leases the networks of a mobile network operator ("MNO") and provides wireless telecommunication services under its own brand and fee structure, without owning telecommunication networks or frequencies.

Network O&S, a subsidiary of the Company responsible for the operation of the Company's base stations and related transmission and power facilities, offers quality fixed-line and wireless network services to customers, including mobile office products to business customers.

PS&Marketing, a subsidiary of the Company, provides a sales platform for products of the Company and SK Broadband including fixed-line and wireless telecommunication products that address customers' needs for various convergence products. PS&Marketing provides differentiated service to clients through the establishment of new sales channels and product development.

[Fixed-line Business]

A. Industry Characteristics

The Korean fixed-line services industry is marked by a relatively low level of economic sensitivity and high level of market concentration, as the government is highly selective in granting telecommunications business licenses. The competitive landscape of the fixed-line and wireless services markets is dominated by its three leading operators, the Company (including SK Broadband), KT and LG U+. Growing competition within the industry has promoted rapid technological evolution, including the convergence of fixed-line and wireless services, as well as broadcasting and telecommunications. In general, the fixed-line and wireless services markets have been characterized by relatively high profitability, cash flows and financial stability.



In the backdrop of increasing regulation in the fixed-line industry, competition to provide Giga services has intensified and the growth of high-speed internet subscribers has slowed. It is currently expected that the rate of increase of IPTV subscribers will decrease, among others, due to the conversion to digital broadcasting. In order to differentiate itself from its competitors, the Company believes that it will need to provide customers with high quality media content on its IPTV platform. Additionally, the Company expects increased demand for ultra-high definition broadcasting. Such changing trends of broadcasting consumption present opportunities to incorporate the Company's IoT, cloud and big data technologies into the Company's home platform business to achieve new growth. The Company plans to increase its subscriber base by providing differentiated services and focusing on marketing strategies centered around high value services such as Giga services and ultra-high definition broadcasting services.

B. Growth Potential

(Unit: in 1,000 persons for high-speed Internet and fixed-line telephone, in 1,000 terminals for IPTV)

Classification		As of June 30,		As of December 31,	
		2017	2016	2016	2015
Fixed-line Subscribers	High-speed Internet	20,943	20,556	20,025	
	Fixed-line telephone	15,480	15,746	16,341	
	IPTV (real-time)	12,594	11,850	10,992	

* Source: MSIP website.

* Number of IPTV subscribers as of June 30, 2017 is the average number of IPTV subscribers in the last six months of 2016 based on MSIP announcements.

C. Cyclical Nature and Seasonality

High-speed Internet, fixed-line telephone and IPTV services are mature markets that are comparatively less sensitive to cyclical economic changes as such services have become more of a necessity and the market has matured. The telecommunications services market overall is not expected to be particularly affected by economic downturns due to the low income elasticity of demand for telecommunication services.

Set forth below is the historical market share of the Company.

Classification	(Unit: in percentages)		
	As of June 30, 2017	As of December 31, 2016	2015
High-speed Internet (including resales)	25.5	25.3	25.1
Fixed-line telephone (including Voice over Internet Protocol ("VoIP"))	16.8	16.9	17.1
IPTV	30.8	30.7	30.5

* Source: MSIP website.

* With respect to Internet telephone, the market share was calculated based on market shares among the Company, KT and LG U+ and is based on the number of IP phone subscribers.

* The number of IPTV subscribers was taken from data announced by the MSIP on May 12, 2017, and the number of IPTV subscribers as of June 30, 2017, was calculated using the average number of subscribers for the last six months of 2016.

D. Business Overview and Competitive Strengths

For the six months ended June 30, 2017, we recorded Won 1,453 billion in revenue, Won 58.9 billion in operating income and Won 8.7 billion in loss for the period for our fixed-line business. Operating income increased significantly in the second quarter of 2017 due to an increase in revenue compared to the first quarter of 2017 and the second quarter of 2016, which in turn was due primarily to an increase in IPTV revenue, despite increases in labor costs and depreciation and amortization expenses. The increase in IPTV revenue was primarily due to an increase in IPTV subscribers and an increase in revenue from home shopping and advertising following the enhancement in value of our platform. We recognized a loss for the period in the second quarter of 2017, primarily due to an increase in one-time costs related to the establishment of our subsidiary Home&Service. As of June 30, 2017, the number of subscribers to each of our high-speed internet, fixed-line telephones (including VoIP) and IPTV services was 5.34 million, 4.20 million and 4.17 million, respectively. In addition, as a result of continued efforts to deliver new and innovative value to customers, our high-speed internet and IPTV services have continued to hold the leading position on the National Customer Satisfaction Index for the past seven years.



While total revenue and average revenue per subscriber from our high-speed internet business decreased due to decreases in revenue from installation fees and additional service fees resulting from a drop in the number of new subscriptions, there has been a slight increase in the average revenue per subscriber for basic fees. While the number of new subscriptions decreased due to the reduced number of business days in May from national holidays and the presidential election as well as our targeted focus on the establishment of our new subsidiary, the total number of high-speed internet subscribers increased by 98,000 in the second quarter (which was comparable to the previous quarter) primarily as a result of stabilized churn rates. Our Giga services have continued to grow and expanded by 19% despite a decrease in new subscriptions compared to the previous quarter.

Revenue from our IPTV business increased by 23% in the second quarter of 2017 compared to the same period in 2016, as the number of IPTV subscribers increased and revenue from our platform business, such as home shopping and advertising, increased. In addition, Oksusu has established itself as Korea's leading platform, with the rapid growth of new subscribers and UV growth, enhanced by the reopening of its ground wave VoD service and the reinforcement of original contents. In particular, the targeted sales of High Tier products centered around 'ultra-high definition' has contributed to a shift towards a stronger subscriber base with higher average revenue per subscriber. In addition, our platform business continues to grow steadily due to increases in revenue from home shopping transmission, advertising and the reinforcement of our subscriber base.

In our corporate business, while revenue in the second quarter of 2017 decreased in comparison to the same period in 2016 and the previous quarter, the proportion of revenues for our Core & Growth business continues to expand steadily.

SK Telink, a provider of international telecommunications service, has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. It launched a mobile phone-based international calling service under the brand name "00700" in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was designated a common carrier for international calling services, which allowed the Company to expand its international calling services to fixed-line international calling services. In 2005, SK Telink obtained a license to operate VoIP services and local calling value-added services to develop into a versatile fixed-line telecommunications service provider. SK Telink plans to strategically target the convergence of wireless and fixed-line telecommunications and strengthen its existing business, including international and long-distance calling services, value-added services for local calling and B2B services, and video conference call services while aiming to satisfy the diverse needs of customers by providing quality solutions at reasonable prices.

[Other Business]

A. Industry Characteristics

As the number of smartphones distributed in Korea exceeds 40 million, the growth in various mobile devices has spurred the rise of the service provider with a strong platform business as the leader in the ICT market. It is becoming increasingly important to enhance competitiveness by building a platform with large data capacity to handle the increase in data transmission.

A platform business acts as an intermediary by promoting interactions among various customer groups, thereby generating new values. It is important for a platform business to continually attract subscribers and users and to create an ecosystem with certain lock-in effects. A platform can exist in various forms, including as a technological standard (iOS, Android OS), a subscriber-based service platform (Facebook, Twitter) or a marketplace (Amazon, Onestore). Platform businesses are evolving and expanding globally.



A platform business has strong growth potential due to its connectivity with related services and ease of global expansion. Apple became a world-leading smartphone producer based on its innovative design and the competitive strength of its App Store platform. Google has created a new ecosystem of long-tail advertising by attracting millions of third parties to its advertising platform, as well as showing strong growth in mobile markets with its competitive platform based on Android OS. It is becoming increasingly important to enhance competitiveness through a database that can register and analyze purchase patterns of customers across all areas and a platform with large data capacity with which to utilize this database and provide differentiated services to customers.

B. Growth Potential

The scope and value generated by the platform business, including application and content marketplaces and N-screen services, continue to increase as smartphones and tablet computers become more popular and the bandwidth and speed of network infrastructure improve. As the wireless network evolves to LTE, business opportunities for the platform business exist, including multimedia streaming, N-screen service based on cloud technology and high-definition location-based services. Since the platform business realizes profit by connecting with advertisements or commerce sites after building a critical mass of subscribers and traffic, the recent growth in the advertising and commerce markets is expected to present an opportunity for platform businesses. The importance of building a platform with large data capacity that is connected to various digital contents and commerce is expected to increase in the future.

C. Domestic and Overseas Market Conditions

(1) Commerce markets

The Company expects that online/mobile commerce markets will continue to grow due to the growth potential of the Internet shopping population, the strengthening of online business models by off-line operators, and the rapid rise of mobile commerce. Recently, due to the widespread use of smartphones and social media, the commercialization of location-based services and the development of big data technology, online to offline (or, O2O) business, which is a concept of attracting customers to offline stores using online and mobile environments, is being highlighted as a new field in the online commerce market industry as new business models continue to emerge.

(2) Digital contents

The growth of application marketplaces, which started with Apple's App Store, provides the platform business with new opportunities for revenue generation. The competitive paradigm is shifting from a competition among platform operators toward a competition among eco-systems that include application developers as well as platform operators.

D. Business Overview and Competitive Strengths

The Company plans to expand its platform ecosystem in operating its commerce business which includes marketplace and O2O businesses, such as 11th Street, Syrup and OK Cashbag, thereby ultimately increasing its enterprise value.

(1) Commerce business

11th Street, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market. Furthermore, 11th Street has established itself as the domestic market leader in mobile commerce, following its successful entry into and rapid growth in this market. Growth plans involving overseas joint ventures based on 11th Street's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2013. In Indonesia, an open market service was launched in March 2014 through collaboration with PT XL Axiata Tbk, a wireless telecommunications company in Indonesia. In October 2014, SK Planet and Celcom Axiata Berhad, which is a leading telecommunications service provider in Malaysia, established a joint venture, Celcom Planet, and launched online commerce services tailored to the Malaysian market in April 2015. 11th Street is not only actively engaged in operating such business in Malaysia, but has also launched its service in Thailand in February 2017.



Syrup is a consumer-oriented commerce service with the goal of minimizing its customers' time and efforts while maximizing the economic benefits by providing information about coupons and events based on time, place and occasion. To achieve this goal, Syrup combines location-based services, such as geo-fencing, a virtual perimeter technology using a global positioning system (or, GPS) and Bluetooth Low Energy (or, BLE), with big data analysis of consumption patterns. Syrup's business partners can benefit from cost-effective marketing through Syrup by utilizing statistics and analysis regarding consumers' frequency of visits, preferred products, and consumption patterns. Furthermore, Syrup is strengthening its market power and competitiveness through the continual release of vertical products such as Syrup Pay and Syrup Table and the expansion of Merchant.

OK Cashbag is a point-based loyalty marketing program which has grown to become a global top-tier loyalty marketing program since its inception in 1999. Customers have access to increased benefits through accumulation of loyalty reward points and partner companies use OK Cashbag as a marketing resource. As Korea's largest loyalty mileage program, OK Cashbag maintains a leading position in the industry. The Company is continuing to develop its service in light of market conditions and customers' needs to enhance its customers' perception of point value and is reviewing and pursuing various plans to develop OK Cashbag into a service that goes beyond a mileage program that leverages the key competitiveness of OK Cashbag such as its platform and partnership network.

(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. The Company is also providing "infotainment" systems to commercial vehicle businesses as well as providing localized content on its products, such as region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

(3) Digital contents

Onestore, an application platform launched in 2016 through a joint venture between SK Telecom, KT, LG U+ and Naver's app store, plans to widen its services to tablets and navigation devices. The Company intends to further develop Onestore into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

(4) Social networking services ("SNS") and Internet portal services



2. The Company’s instant messenger service, “Nate-On,” had a market share of 15.8% in the instant messenger market in Korea with 2.4 million net users during the month of June 2017. The Company’s Internet search portal service, “Nate,” had a page-view market share of 3.6% as of June 30, 2017. (Source: Korean Click, based on fixed-line access) Major Products & Services

A. Updates on Major Products and Services

(Unit: in millions of Won and percentages)

Business	Major Companies	Item	Major Trademarks	Consolidated Sales Amount (ratio)
Wireless	SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T, Band Data and others	6,512,625 (76%)
Fixed-line	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	1,330,013 (16%)
Other	SK Planet Co., Ltd., SK TechX Co., Ltd., Onestore Co., Ltd., SK Communications Co., Ltd., M&Service Co., Ltd., SKP America, LLC, Shopkick Mgmt. Co., Ltd.	Internet portal service and e-commerce	11th Street, OK Cashbag, NATE, Onestore and others	737,320 (8%)
Total				8,579,958 (100%)

[Wireless Business]

As of June 30, 2017, based on the Company’s standard monthly subscription plan, the basic service fee was Won 12,100 and the usage fee was Won 1.98 per second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of June 30, 2017, broadband Internet and TV services comprised 62.4% of SK Broadband’s revenue, 13.1% of telephony services, 23.6% of corporate data services and 0.9% of other telecommunications services. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long term contracts, changes in equipment costs and competition between companies.

[Other Business]

Set forth below are major products and services of the Company’s material consolidated subsidiaries.

Business	Item	Major Trademarks
Platform	ICT services, new media services, advertisement services, telecommunications sales, e-commerce and others	Syrup, Onestore, 11th Street, OK Cashbag and others
Advertisement (Display, Search)	Online advertisement services	Nate, Nate-On
Contents and others	Pay content sales and other services	Nate, Nate-On



3. Investment Status

[Wireless Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Expected investment amount	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	Six months ended June 30, 2017	Network, systems and others	Capacity increase and quality improvement; systems improvement	20,000	4,479	—
Total					20,000	4,479	—

* On February 3, 2017, the Company disclosed its 2017 capital expenditure budget.

B. Future Investment Plan

(Unit: in 100 millions of Won)

Business	Expected investment amount		Expected investment for each year			Investment effect
	Asset type	Amount	2017	2018	2019	
Network/Common	Network, systems and others	20,000	20,000	To be determined	To be determined	Upgrades to the existing services and expanded provision of services including wideband LTE-A
Total		20,000	20,000	To be determined	To be determined	

[Fixed-line Business]

A. Investment in Progress

For the six months ended June 30, 2017, the Company spent Won 302.8 billion for capital expenditures as set out below, including the investment of Won 108.1 billion to expand subscriber networks. In 2017, the Company expects to spend additional amounts to strengthen the competitiveness of its infrastructure and media platform.

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Amount already invested	Future investment
High-speed Internet				Expand subscriber networks and facilities	1,172	
Telephone					27	
Television					681	
Corporate Data	Upgrade/ New installation	Six months ended June 30, 2017	Backbone and subscriber network/others	Increase leased-line and integrated information system		To be determined
Others				Expand networks and required space	574	
Total					3,028	



4. Revenues

(Unit: in millions of Won)

Business	Sales type	Item	For the six months ended June 30, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015
Wireless	Services	Export	9,701	17,393	15,035
		Mobile communication Domestic	6,502,924	12,987,516	13,254,243
		Subtotal	6,512,625	13,004,909	13,269,278
Fixed-line	Services	Export	42,805	92,630	94,387
		Fixed-line, B2B data, High-speed Internet, TV Domestic	1,287,208	2,558,563	2,400,186
		Subtotal	1,330,013	2,651,193	2,494,573
Other	Services	Export	15,566	42,205	53,622
		Display and Search ad., Content Domestic	721,754	1,393,509	1,319,261
		Subtotal	737,320	1,435,714	1,372,883
Total		Export	68,072	152,228	163,044
		Domestic	8,511,886	16,939,588	16,973,690
		Total	8,579,958	17,091,816	17,136,734

(Unit: in millions of Won)

For the six months ended June 30, 2017	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
Total sales	7,303,708	1,649,960	896,223	9,849,891	(1,269,933)	8,579,958
Internal sales	791,083	319,947	158,903	1,269,933	(1,269,933)	—
External sales	6,512,625	1,330,013	737,320	8,579,958	—	8,579,958
Operating income (loss)	915,836	79,218	(161,286)	833,768	—	833,768
Profit (loss) for the period						1,472,646
Total assets	25,030,487	4,034,516	2,546,560	31,611,563	(833,784)	30,777,779
Total liabilities	10,307,250	2,517,486	1,104,475	13,929,211	173,357	14,102,568



5. Derivative Transactions

A. Current Swap Contract Applying Cash Flow Risk Hedge Accounting

Currency swap contracts under cash flow hedge accounting as of June 30, 2017 are as follows:

<u>Borrowing date</u>	<u>Hedged item</u>	<u>Hedged risk</u>	<u>Contract type</u>	<u>Financial institution</u>	<u>Duration of contract</u>
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 – Jul. 20, 2027
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	Foreign currency risk	Cross currency swap	Standard Chartered and nine other banks	Nov. 1, 2012 – May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 – Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 – Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 – Oct. 29, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$63,296,000)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 – Apr. 29, 2022
Dec. 20, 2016	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 20, 2016 – Dec. 20, 2021
January 30, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 40,833 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 – Jul. 30, 2019
March 31, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	March 31, 2017 – March 31, 2020



B. Treatment of Derivative Instruments on the Balance Sheet

As of June 30, 2017, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

(Unit: in millions of Won; in thousands of foreign currencies)

Hedged item	Fair value					Trading purposes	Total
	Cash flow hedge						
	Accumulated gain (loss) on valuation of derivatives	Tax effect	Foreign currency translation loss (gain)	Others ^(*)			
Current assets:							
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	(14,693)	(4,691)	34,073	—	—	—	14,689
Non-current assets:							
Structured bond (face value of Won 50,000 million)	—	—	—	—	8,199	—	8,199
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	(62,280)	(19,883)	(1,626)	129,806	—	—	46,017
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(6,095)	(1,946)	16,735	—	—	—	8,694
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(3,421)	(1,092)	4,731	—	—	—	217
Unsecured bond (U.S. dollar denominated bonds face value of USD 300,000,000)	(5,188)	—	23,171	—	—	—	17,983
Total assets:							<u>95,799</u>
Current liabilities:							
Fixed-to-fixed cross currency swap (Australian dollar denominated bonds face value of AUD 300,000,000)	1,537	491	(72,523)	—	—	—	<u>(70,495)</u>
Non-current liabilities:							
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million)	(256)	(82)	—	—	—	—	(341)
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million)	(64)	—	—	—	—	—	(64)
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 36,750 million)	(32)	—	—	—	—	—	<u>(32)</u>
Total liabilities:							<u>(70,931)</u>

(*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2015.



6. Major Contracts

[SK Telecom]

(Unit: in 100 millions of Won)

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount
Real Estate	SK Broadband Co., Ltd.	February 1, 2017	January 31, 2020	Namsan Office Building Lease Contract	63
Real Estate	Multiple			Acquisition of land, etc. (7)	68
Subtotal					131

[SK Broadband]

Below are SK Broadband's contracts related to its telecommunications equipment. In addition to the below, SK Broadband also has entered into various real estate rental agreements.

Counterparty	Contract Contents	Contract Period	Note
Telecommunication service providers	Interconnection among telecommunication service providers	—	Automatically renewed for two years at a time unless specific amendments are requested
KEPCO	Provision of electric facilities	From Nov. 2016 to Nov. 2017 (Unless special reasons arise, the usage period will be renewed annually)	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2015 to Dec. 2017	Use of railway telecommunication conduit (Serviced areas to expand)
Counterparty	Contract Contents	Contract Period	Note
Busan Transportation Corporation	Use of telecommunication line conduits	From July 2009 to July 2013 (Renewal in progress, currently in the process of transitioning to private network system, plans to enter into a contract once completed and the remaining work is confirmed)	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (Renewal in progress, currently in discussion to decide usage unit price, future plans to enter into a contract)	Use of railway telecommunication conduit (Serviced areas to expand)
Gwangju City Railway	Use of telecommunication line conduits	From Sept. 2010 to Dec. 2012 (Renewal in progress, in the completion stage of transitioning to private network system, currently reviewing whether to renew contract at the end of 2016)	Use of railway telecommunication conduit (Service lease)

* Renewal is in progress after negotiation of lower usage fees.



[SK Communications]

Counterparty	Purpose	Contract Period	Contract Amount
Kakao Corp.	Cost-per-click Internet search advertisement	—	Amount determined based on the number of clicks

* SK Communications and Kakao Corp. have agreed not to publicly disclose the contract period with respect to the contract with Kakao Corp.

7. R&D Investments

Set forth below are the Company's R&D expenditures.

(Unit: in millions of Won except percentages)

Category	For the six months ended June 30, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	Remarks
Raw material	662	659	1,267	—
Labor	68,828	116,108	68,969	—
Depreciation	67,840	125,827	147,577	—
Commissioned service	29,521	54,714	37,001	—
Others	26,947	53,785	67,888	—
Total R&D costs	193,798	351,093	322,702	—
Sales and administrative expenses	189,465	344,787	315,790	—
Accounting				
Development expenses (Intangible assets)	4,333	6,306	6,912	—
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)	2.26%	2.05%	1.88%	—

8. Other information relating to investment decisions

A. Trademark Policies

The Company manages its corporate brand and other product brands in a comprehensive way to protect and increase their value. The Company's Brand Management Council in charge of overseeing its systematic corporate branding operates full-time to execute decisions involving major brands and operates 'Comm.ON,' an intranet system to manage the development, registration and licensing of brands.

B. Business-related Intellectual Property

[SK Telecom]

As of June 30, 2017, the Company holds 6,228 Korean-registered patents, 510 U.S.-registered patents, 346 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 748 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet "T." The designed alphabet "T" is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.



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[SK Broadband]

As of June 30, 2017, SK Broadband holds 409 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of June 30, 2017, SK Planet held 2,391 registered patents, 124 registered design marks, 1,266 registered trademarks and eight copyrights (including those held jointly with other companies) in Korea. It also holds 144 U.S.-registered patents, 97 Chinese-registered patents, 72 Japanese-registered patents, 40 E.U.-registered patents (all including patents held jointly with other companies) and 346 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of June 30, 2017, SK Communications held 93 registered patents, 26 registered design rights and 506 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

The Company does not engage in any manufacturing and therefore does not undertake any industrial processes that emit pollutants into the air or industrial processes in which hazardous materials are used.

**III. FINANCIAL INFORMATION****1. Summary Financial Information (Consolidated and Separate)****A. Summary Financial Information (Consolidated)**

Below is the summary consolidated financial information of the Company as of June 30, 2017, December 31, 2016 and December 31, 2015 and for the six months ended June 30, 2017 and 2016 and the years ended December 31, 2016 and 2015. The Company's audited consolidated financial statements as of June 30, 2017 and December 31, 2016 and for the six months ended June 30, 2017 and 2016, which are prepared in accordance with K-IFRS, are attached hereto.

	(Unit: in millions of Won except number of companies)		
	As of June 30, 2017	As of December 31, 2016	As of December 31, 2015
Assets			
Current Assets	5,792,614	5,996,628	5,160,242
• Cash and Cash Equivalents	1,237,629	1,505,242	768,922
• Accounts Receivable – Trade, net	2,221,284	2,240,926	2,344,867
• Accounts Receivable – Other, net	991,435	1,121,444	673,739
• Others	1,342,266	1,129,016	1,372,714
Non-Current Assets	24,985,165	25,301,035	23,421,145
• Long-Term Investment Securities	835,508	828,521	1,207,226
• Investments in Associates and Joint Ventures	8,126,310	7,404,323	6,896,293
• Property and Equipment, net	9,573,704	10,374,212	10,371,256
• Intangible Assets, net	3,760,024	3,776,354	2,304,784
• Goodwill	1,922,795	1,932,452	1,908,590
• Others	766,824	985,173	732,996
Total Assets	30,777,779	31,297,663	28,581,387
Liabilities			
Current Liabilities	6,088,438	6,444,099	5,256,493
Non-Current Liabilities	8,014,130	8,737,134	7,950,798
Total Liabilities	14,102,568	15,181,233	13,207,291
Equity			
Equity Attributable to Owners of the Parent Company	16,573,461	15,971,399	15,251,079
Share Capital	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	192,043	199,779	189,510
Retained Earnings	16,513,404	15,953,164	15,007,627
Reserves	(176,625)	(226,183)	9,303
Non-controlling Interests	101,750	145,031	123,017
Total Equity	16,675,211	16,116,430	15,374,096
Total Liabilities and Equity	30,777,779	31,297,663	28,581,387
Number of Companies Consolidated	39	38	37



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	(Unit: in millions of Won except per share amounts)			
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
Operating Revenue	8,579,958	8,495,752	17,091,816	17,136,734
Operating Income	833,768	809,491	1,535,744	1,708,006
Profit Before Income Tax	1,472,646	1,100,874	2,096,139	2,035,365
Profit for the Period	1,203,992	863,288	1,660,101	1,515,885
Profit for the Period Attributable to Owners of the Parent Company	1,214,023	861,982	1,675,967	1,518,604
Profit for the Period Attributable to Non-controlling Interests	(10,031)	1,306	(15,866)	(2,719)
Basic and Diluted Earnings Per Share (Won)	17,074	12,089	23,497	20,988

B. Summary Financial Information (Separate)

Below is the summary separate financial information of the Company as of June 30, 2017, December 31, 2016 and December 31, 2015 and for the six months ended June 30, 2017 and 2016 and the years ended December 31, 2016 and 2015. The Company's audited separate financial statements as of June 30, 2017 and December 31, 2016 and for the six months ended June 30, 2017 and 2016, which are prepared in accordance with K-IFRS, are attached hereto.

	As of June 30, 2017	As of December 31, 2016	(Unit: in millions of Won) As of December 31, 2015
Assets			
Current Assets	3,458,017	3,661,115	2,713,529
• Cash and Cash Equivalents	715,610	874,350	431,666
• Accounts Receivable – Trade, net	1,603,693	1,594,504	1,528,751
• Accounts Receivable – Other, net	739,638	772,570	264,741
• Others	399,076	419,691	488,371
Non-Current Assets	20,947,429	21,787,459	20,433,411
• Long-Term Investment Securities	694,816	560,966	726,505
• Investments in Subsidiaries and Associates	8,756,372	8,726,538	8,810,548
• Property and Equipment, net	6,508,103	7,298,539	7,442,280
• Intangible Assets, net	3,273,865	3,275,663	1,766,069
• Goodwill	1,306,236	1,306,236	1,306,236
• Others	408,037	619,517	381,773
Total Assets	24,405,446	25,448,574	23,146,940
Liabilities			
Current Liabilities	4,284,633	4,464,160	3,491,306
Non-Current Liabilities	5,706,581	6,727,460	5,876,174
Total Liabilities	9,991,214	11,191,620	9,367,480
Equity			
Share Capital	44,639	44,639	44,639
Capital Surplus and Other Capital Adjustments	371,626	371,481	369,446
Retained Earnings	13,954,609	13,902,627	13,418,603
Reserves	43,358	(61,793)	(53,228)
Total Equity	14,414,232	14,256,954	13,779,460
Total Liabilities and Equity	24,405,446	25,448,574	23,146,940



(Unit: in millions of Won except per share amounts)

	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
Operating Revenue	6,197,586	6,190,249	12,350,479	12,556,979
Operating Income	901,744	908,056	1,782,172	1,658,776
Profit Before Income Tax	862,963	846,130	1,562,782	1,469,444
Profit for the Period	702,256	666,350	1,217,274	1,106,761
Basic and Diluted Earnings Per Share (Won)	9,826	9,318	17,001	15,233

2. Other Matters Related to Financial Information

A. Restatement of the Financial Statements

Not applicable.

B. Allowance for Doubtful Accounts

(1) Allowance for Doubtful Accounts of Trade and Other Receivables

(Unit: in millions of Won)

For the six months ended June 30, 2017

	Gross amount	Allowance for Doubtful	
		Accounts	Percentage
Accounts receivable – trade	2,479,612	242,524	10%
Loans	182,683	48,034	26%
Accounts receivable – other	1,175,027	76,151	6%
Accrued income	4,079	—	0%
Guarantee deposits	301,546	—	0%
Total	4,142,947	366,709	9%

(Unit: in millions of Won)

For the year ended December 31, 2016

	Gross amount	Allowance for Doubtful	
		Accounts	Percentage
Accounts receivable – trade	2,503,139	241,828	10%
Loans	172,982	48,527	28%
Accounts receivable – other	1,350,090	78,977	6%
Accrued income	2,780	—	0%
Guarantee deposits	302,901	—	0%
Total	4,331,892	369,332	9%

(Unit: in millions of Won)

For the year ended December 31, 2015

	Gross amount	Allowance for Doubtful	
		Accounts	Percentage
Accounts receivable – trade	2,629,605	239,495	9%
Loans	141,878	25,529	18%
Accounts receivable – other	755,151	78,992	10%
Accrued income	10,753	—	0%
Guarantee deposits	299,142	—	0%
Total	3,836,529	344,016	9%



(2) Movements in Allowance for Doubtful Accounts of Trade and Other Receivables

	(Unit: in millions of Won)		
	<u>For the six months ended June 30, 2017</u>	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Beginning balance	369,332	344,016	328,191
Increase of allowance for doubtful accounts	18,430	78,132	75,773
Reversal of allowance for doubtful accounts	2,191	—	—
Write-offs	(37,882)	(79,891)	(87,798)
Other	14,638	27,075	27,850
Ending balance	366,709	369,332	344,016

(3) Policies for Allowance for Doubtful Accounts

The Company establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period and past customer default experience for the past two years. With respect to trade receivables relating to wireless telecommunications services, the Company considers the likelihood of recovery based on past customer default experience and the length of default in connection with the type of default (e.g., whether the customer's service has been terminated or is continued). For such trade receivables that have been overdue for more than two years after the customer's service has been terminated, the Company records an allowance of 100% of such receivables. For such trade receivables that have been overdue for less than two years after the customer's service has been terminated or relates to a customer that is continuing his service, the Company records an allowance of a certain percentage of such receivable. Consistent with customary practice, the Company writes off trade and other receivables for which the prescription period has passed or that are determined to be impossible or economically too costly to collect, including receivables that are less than Won 200,000 and more than six months overdue and receivables that have been determined to be the subject of identity theft.

(4) Aging of Accounts Receivable

	As of June 30, 2017				
	<u>Six months or less</u>	<u>From six months to one year</u>	<u>From one year to three years</u>	<u>More than three years</u>	<u>Total</u>
Accounts receivable – general	2,119,115	66,070	201,872	92,554	2,479,612
Percentage	85%	3%	8%	4%	100%

C. Inventories

(1) Detailed Categories of Inventories

	(Unit: in millions of Won)		
<u>Account Category</u>	<u>For the six months ended June 30, 2017</u>	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
Merchandise	235,575	225,958	242,230
Goods in transit	—	—	—
Other inventories	27,903	33,888	31,326
Total	263,478	259,846	273,556
Percentage of inventories to total assets			
[Inventories / Total assets]	0.86%	0.83%	0.96%
Inventory turnover			
[Cost of sales / { (Beginning balance of inventories + Ending balance of inventories) / 2 }]	6.48	6.89	7.23



(2) Reporting of Inventories

The Company holds handsets, ICT equipment for offline sales, etc. in inventory. The Company conducts physical due diligence of its inventories with its auditors at the end of each year.

D. Fair Value Measurement

See notes 3(5) to 3(7) and 3(16) of the notes to the Company's audited consolidated financial statements as of and for the years ended December 31, 2016 and 2015 for more information.

E. Key Terms of Debt Securities

[SK Telecom]

The following are key terms and conditions of bonds issued by the Company.

(As of June 30, 2017)

(Unit: in millions of Won except percentages)

<u>Name</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Date of Fiscal Agency Agreement</u>	<u>Fiscal Agent</u>
Unsecured Bond – Series 57-2	March 3, 2008	March 3, 2018	200,000	Feb. 22, 2008	Shinhan Investment Corp.
Maintenance of Financial Ratio	Key Term			Debt ratio no greater than 400%	
	Compliance Status			Compliant	
Restriction on Liens	Key Term			The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year	
	Compliance Status			Compliant	
Restriction on Disposition of Assets	Key Term			Disposal of assets per fiscal year not to exceed 5 trillion won	
	Compliance Status			Compliant	
Submission of Compliance Certificate	Compliance Status			Submitted on April 27, 2017	

<u>Name</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Date of Fiscal Agency Agreement</u>	<u>Fiscal Agent</u>
Unsecured Bond – Series 61-2	Dec. 27, 2011	Dec. 27, 2021	190,000	Dec. 19, 2011	Hana Financial Investment Co., Ltd.
Maintenance of Financial Ratio	Key Term			Debt ratio no greater than 300%	
	Compliance Status			Compliant	
Restriction on Liens	Key Term			The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year	
	Compliance Status			Compliant	
Restriction on Disposition of Assets	Key Term			Disposal of assets per fiscal year not to exceed 2 trillion won	
	Compliance Status			Compliant	
Submission of Compliance Certificate	Compliance Status			Submitted on April 27, 2017	



Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 62-1	Aug. 28, 2012	Aug. 28, 2019	170,000	Aug. 22, 2012	Meritz Securities Co., Ltd.
Unsecured Bond – Series 62-2	Aug. 28, 2012	Aug. 28, 2022	140,000	Aug. 22, 2012	Meritz Securities Co., Ltd.
Unsecured Bond – Series 62-3	Aug. 28, 2012	Aug. 28, 2032	90,000	Aug. 22, 2012	Meritz Securities Co., Ltd.

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 27, 2017

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 63-1	April 23, 2013	April 23, 2023	230,000	April 17, 2013	Korea Securities Finance Corp.
Unsecured Bond – Series 63-2	April 23, 2013	April 23, 2033	130,000	April 17, 2013	Korea Securities Finance Corp.
Unsecured Bond – Series 64-1	May 14, 2014	May 14, 2019	50,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 64-2	May 14, 2014	May 14, 2024	150,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 64-4	May 14, 2014	May 14, 2029	50,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 65-1	Oct. 28, 2014	Oct. 28, 2019	160,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 65-2	Oct. 28, 2014	Oct. 28, 2021	150,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 65-3	Oct. 28, 2014	Oct. 28, 2024	190,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 66-1	Feb. 26, 2015	Feb. 26, 2022	100,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 66-2	Feb. 26, 2015	Feb. 26, 2025	150,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 66-3	Feb. 26, 2015	Feb. 26, 2030	50,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 67-1	July 17, 2015	July 17, 2018	90,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 67-2	July 17, 2015	July 17, 2025	70,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 67-3	July 17, 2015	July 17, 2030	90,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 68-1	Nov. 30, 2015	Nov. 30, 2018	80,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 68-2	Nov. 30, 2015	Nov. 30, 2025	100,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 68-3	Nov. 30, 2015	Nov. 30, 2035	70,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 69-1	March 4, 2016	March 4, 2019	70,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 69-2	March 4, 2016	March 4, 2021	100,000	Feb. 22, 2016	Korea Securities Finance Corp.



Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 69-3	March 4, 2016	March 4, 2026	90,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 69-4	March 4, 2016	March 4, 2036	80,000	Feb. 22, 2016	Korea Securities Finance Corp.
Maintenance of Financial Ratio		Key Term Compliance Status		Debt ratio no greater than 300% Compliant	
Restriction on Liens		Key Term Compliance Status		The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant	
Restriction on Disposition of Assets		Key Term Compliance Status		Disposal of assets per fiscal year not to exceed 2 trillion won Compliant	
Submission of Compliance Certificate		Compliance Status		Submitted on April 27, 2017	

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 70-1	June 3, 2016	June 3, 2019	50,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 70-2	June 3, 2016	June 3, 2021	50,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 70-3	June 3, 2016	June 3, 2026	120,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 70-4	June 3, 2016	June 3, 2031	50,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 71-1	April 25, 2017	April 25, 2020	60,000	April 13, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 71-2	April 25, 2017	April 25, 2022	120,000	April 13, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 71-3	April 25, 2017	April 25, 2027	100,000	April 13, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 71-4	April 25, 2017	April 25, 2032	90,000	April 13, 2017	Korea Securities Finance Corp.

Maintenance of Financial Ratio		Key Term Compliance Status		Debt ratio no greater than 300% Compliant	
Restriction on Liens				The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year Compliant	
Restriction on Disposition of Assets		Key Term Compliance Status		Disposal of assets per fiscal year not to exceed 5 trillion won Compliant	
Submission of Compliance Certificate		Key Term Compliance Status		Submitted on April 27, 2017	

[SK Broadband]

The following are key terms and conditions of bonds issued by SK Broadband.

(As of June 30, 2017)

(Unit: in millions of Won except percentages)

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 37-2	Oct. 12, 2012	Oct. 12, 2017	120,000	Oct. 8, 2012	Hanwha Investment & Securities Co., Ltd.



Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 500% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 10 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 24, 2017

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 38-2	April 2, 2014	April 2, 2019	210,000	March 21, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 39	Sept. 29, 2014	Sept. 29, 2019	130,000	Sept. 17, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 40-1	Jan. 14, 2015	Jan. 14, 2018	50,000	Jan. 2, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 40-2	Jan. 14, 2015	Jan. 14, 2020	160,000	Jan. 2, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 41	July 15, 2015	July 15, 2020	140,000	July 3, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 42	Oct. 6, 2015	Oct. 6, 2020	130,000	Sept. 22, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 43-1	Oct. 5, 2016	Oct. 5, 2019	50,000	Sept. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 43-2	Oct. 5, 2016	Oct. 5, 2021	120,000	Sept. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 44	Feb. 3, 2017	Feb. 3, 2022	150,000	Jan. 20, 2017	Korea Securities Finance Corp.

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 400% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 24, 2017

IV. AUDITOR'S OPINION

1. Auditor (Consolidated)

Six months ended June 30, 2017
KPMG Samjong Accounting Corp.

Year ended December 31, 2016
KPMG Samjong Accounting Corp.

Year ended December 31, 2015
KPMG Samjong Accounting Corp.



2. Audit Opinion (Consolidated)

<u>Period</u>	<u>Auditor's opinion</u>	<u>Issues noted</u>
Six months ended June 30, 2017	N/A	—
Year ended December 31, 2016	Unqualified	N/A
Year ended December 31, 2015	Unqualified	N/A

3. Remuneration for Independent Auditors for the Past Three Fiscal Years

A. Audit Contracts

(Unit: in millions of Won except number of hours)

<u>Period</u>	<u>Auditors</u>	<u>Contents</u>	<u>Fee</u>	<u>Total number of hours accumulated for the fiscal year</u>
Six months ended June 30, 2017	KPMG Samjong Accounting Corp.	Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,470	21,098
Year ended December 31, 2016	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,350	19,412
Year ended December 31, 2015	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,320	18,127

B. Non-Audit Services Contract with External Auditors

(Unit: in millions of Won)

<u>Period</u>	<u>Contract date</u>	<u>Service provided</u>	<u>Service duration</u>	<u>Fee</u>
Six months ended June 30, 2017	March 10, 2017	Issuance of comfort letters	March 10, 2017 – Present	30
	April 28, 2017	Consulting services	April 28, 2017 – Present	300
Year ended December 31, 2016	May 10, 2016	Confirmation of financial information	May 10 – May 12, 2016	2
Year ended December 31, 2015	January 9, 2015	Audit of public WiFi	Jan. 9 – Jan. 23, 2015	9
	September 30, 2015	Confirmation of debt ratio	Sept. 30, 2015 – Oct. 5, 2015	3
	November 9, 2015	Audit of public WiFi	Nov. 9 – Nov. 30, 2015	10

4. Change of Independent Auditors

Not applicable.



V. MANAGEMENT’S DISCUSSION AND ANALYSIS

Omitted in quarterly reports in accordance with Korean disclosure rules.

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS

1. Board of Directors

A. Overview of the Composition of the Board of Directors

The Company’s board of directors (the “Board of Directors”) is composed of six members: four independent directors, one inside director and one non-executive director. Within the Board, there are five committees: Independent Director Nomination Committee, Audit Committee, Compensation Committee, CapEx Review Committee and Corporate Citizenship Committee.

(As of June 30, 2017)

<u>Total number of persons</u>	<u>Inside director</u>	<u>Non-executive director</u>	<u>Independent directors</u>
6	Jung Ho Park	Dae Sik Cho	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn

At the 33rd General Meeting of Shareholders held on March 24, 2017, Jung Ho Park was elected as an inside director and Dae Sik Cho was elected as a non-executive director. Jae Hoon Lee and Jae Hyeon Ahn were re-elected as independent directors and members of the audit committee and Jung Ho Ahn was elected as an independent director.

At the 33rd General Meeting of Shareholders held on March 24, 2017, in accordance with our articles of incorporation, Jung Ho Park was granted options to purchase shares of our common stock. See “VIII-4. Stock Options Granted and Exercised” for more information.



B. Significant Activities of the Board of Directors

<u>Meeting</u>	<u>Date</u>	<u>Agenda</u>	<u>Approval</u>
397th (the 1st meeting of 2017)	January 4, 2017	<ul style="list-style-type: none"> Approval of share exchange agreement with SK Communications 	Approved as proposed
		<ul style="list-style-type: none"> Financial statements as of and for the year ended December 31, 2016 	Approved as proposed
		<ul style="list-style-type: none"> Annual business report as of and for the year ended December 31, 2016 	Approved as proposed
398th (the 2nd meeting of 2017)	February 2, 2017	<ul style="list-style-type: none"> Delegation of funding through long-term borrowings in 2017 	Approved as proposed
		<ul style="list-style-type: none"> Lease contract with SK Broadband 	Approved as proposed
		<ul style="list-style-type: none"> Approval of IT SM transactions in 2017 	Approved as proposed
		<ul style="list-style-type: none"> Report of internal accounting management 	—
		<ul style="list-style-type: none"> Report for the period after the fourth quarter of 2016 	—
399th (the 3rd meeting of 2017)	February 23, 2017	<ul style="list-style-type: none"> Plan for the 33rd General Meeting of Shareholders 	Approved as proposed
		<ul style="list-style-type: none"> Amendment to the regulations of the Board of Directors 	Approved as proposed
		<ul style="list-style-type: none"> Report of internal accounting management 	—
		<ul style="list-style-type: none"> Election of the chief executive officer 	Approved as proposed
		<ul style="list-style-type: none"> Election of the chairman of the Board of Directors 	Approved as proposed
		<ul style="list-style-type: none"> Election of committee members 	Approved as proposed
400th (the 4th meeting of 2017)	March 24, 2017	<ul style="list-style-type: none"> Transactions with SK Holdings in the second quarter of 2017 	Approved as proposed
		<ul style="list-style-type: none"> Amendment to the regulations of the Board of Directors 	Approved as proposed
		<ul style="list-style-type: none"> Transactions related to corporate bonds with SK Securities 	Approved as proposed
		<ul style="list-style-type: none"> Transactions related to fund management with SK Securities 	Approved as proposed
		<ul style="list-style-type: none"> Payment for Employees' Benefit Fund in 2017 	Approved as proposed
401st (the 5th meeting of 2017)	April 27, 2017	<ul style="list-style-type: none"> Payment of operating costs in 2017 for SUPEX Council 	Approved as proposed
		<ul style="list-style-type: none"> Report for the period after the first quarter of 2017 	—
		<ul style="list-style-type: none"> Transactions with SK Holdings in the third quarter of 2017 	Approved as proposed
		<ul style="list-style-type: none"> Transactions related to corporate bonds with SK Securities 	Approved as proposed
		<ul style="list-style-type: none"> Transactions related to fund management with SK Securities 	Approved as proposed
402nd (the 6th meeting of 2017)	June 30, 2017	<ul style="list-style-type: none"> Acquisition of shares of Happynarae Co., Ltd. 	Approved as proposed
		<ul style="list-style-type: none"> Transfer of Public Cloud business 	Approved as proposed
		<ul style="list-style-type: none"> Donation to Korea Foundation For Advanced Studies in 2017 	Approved as proposed
		<ul style="list-style-type: none"> Settlement of expenses between related parties in connection with contemplated joint R&D 	Approved as proposed

* The line items that do not show approval are for reporting purposes only.



C. Committees within Board of Directors

(1) Committee structure (as of June 30, 2017)

(a) Compensation Review Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3	—	Jae Hoon Lee, Dae Shick Oh, Jung Ho Ahn	Review CEO remuneration system and amount

* The Compensation Review Committee is a committee established by the resolution of the Board of Directors.

(b) Capex Review Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
4	—	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn	Review major investment plans and changes thereto

* The Capex Review Committee is a committee established by the resolution of the Board of Directors.

(c) Corporate Citizenship Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3	—	Jae Hoon Lee, Jae Hyeon Ahn, Jung Ho Ahn	Review guidelines on corporate social responsibility (“CSR”) programs, etc.

* The Corporate Citizenship Committee is a committee established by the resolution of the Board of Directors.

(d) Independent Director Nomination Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3	Jung Ho Park	Dae Shick Oh, Jae Hyeon Ahn	Nomination of independent directors

* Under the Korean Commercial Code, a majority of the members of the Independent Director Nomination Committee should be independent directors.

(e) Audit Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3	—	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn	Review financial statements and supervise independent audit process, etc.

* The Audit Committee is a committee established under the provisions of the Articles of Incorporation and the Korean Commercial Code.



2. Audit System

The Company's Audit Committee consists of three independent directors, Dae Shick Oh, Jae Hoon Lee and Jae Hyeon Ahn.

Major activities of the Audit Committee as of June 30, 2017 are set forth below.

Meeting	Date	Agenda	Approval
The 1st meeting of 2017	February 1, 2017	• Evaluation of internal accounting management system operation	—
		• Review of business and audit results for the second half of 2016 and business and audit plans for 2017	—
		• Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	Approved as proposed
		• Contract for payment of customer appreciation gifts in 2017	Approved as proposed
		• Purchase of supplies from Happynarae Co., Ltd.	Approved as proposed
		• Report on the IFRS audit of fiscal year 2016	—
		• Report on review of 2016 internal accounting management system	—
The 2nd meeting of 2017	February 22, 2017	• Evaluation of internal accounting management system operation	Approved as proposed
		• Agenda and document review for the 33rd General Meeting of Shareholders	Approved as proposed
		• Auditor's report for fiscal year 2016	Approved as proposed
		• Contract for maintenance services of optical cables in 2017	Approved as proposed
The 3rd meeting of 2017	March 23, 2017	• Contract for maintenance services of transmission equipment in 2017	Approved as proposed
		• Consulting for innovation in corporate social responsibility	Approved as proposed
		• Election of the chairman of the Audit Committee	Approved as proposed
		• Remuneration for outside auditor for fiscal year 2017	Approved as proposed
The 4th meeting of 2017	April 26, 2017	• Outside auditor service plan for fiscal year 2017	Approved as proposed
		• Audit plan for fiscal year 2017	—
		• Plan for wired/wireless network construction for fiscal year 2017	Approved as proposed
The 5th meeting of 2017	June 29, 2017		

* The line items that do not show approval are for reporting purposes only.



3. Shareholders' Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders' Rights

Pursuant to the Articles of Incorporation as shown below, the cumulative voting system was first introduced in the general meeting of shareholders held in 2003.

Articles of Incorporation	Description
Article 32(3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12 th Supplement to the Articles of Incorporation (Interim Regulation)	Article 32(3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.

Also, neither written or electronic voting system is applicable. Minority shareholder rights were not exercised during the relevant period.

VII. SHAREHOLDERS

1. Shareholdings of the Largest Shareholder and Related Persons

A. Shareholdings of the Largest Shareholder and Related Persons

(As of June 30, 2017)

(Unit: in shares and percentages)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period		End of Period	
			Number of shares	Ownership ratio	Number of shares	Ownership ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Shin Won Chey	Officer of affiliated company	Common share	1,067	0.00	1,067	0.00
Dong Hyun Jang	Officer of affiliated company	Common share	251	0.00	251	0.00
Jung Ho Park	Officer of the Company	Common share	0	0.00	1,000	0.00
Myung Hyun Cho	Officer of affiliated company	Common share	60	0.00	0	0.00
Total		Common share	20,364,930	25.22	20,365,870	25.22

B. Overview of the Largest Shareholder

As of June 30, 2017, the Company's largest shareholder was SK Holdings Co., Ltd. ("SK Holdings") with 20,363,452 shares (25.22%) of the Company. SK Holdings was established on April 13, 1991 and was made public on the securities market for the first time under the name SK C&C Co., Ltd. on November 11, 2009. On August 3, 2015, SK Holdings merged with and into SK C&C and the merged entity was renamed SK Holdings. The main business of SK Holdings includes managing its subsidiaries as a holding company, IT services, security services and logistics services, among others.

**C. Changes in Shareholdings of the Largest Shareholder**

Changes in shareholdings of the largest shareholder are as follows:

(As of June 30, 2017)

(Unit: in shares and percentages)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
SK Holdings	January 2, 2014	20,367,290	25.22	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	March 24, 2014	20,368,290	25.23	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	January 2, 2015	20,364,290	25.22	Shin Won Chey, SKC's Chairman, disposed of 4,000 shares
	March 20, 2015	20,363,803	25.22	Appointment of CEO Dong Hyun Jang (ownership of 251 shares of the Company), Retirement of Sung Min Ha
	June 9, 2015	20,365,006	25.22	Purchase through the Share Exchange between SK Broadband and SK Telecom (Shin Won Chey, SKC's Chairman, purchased 1,067 shares, and Myung Hyun Cho, SK Broadband's independent director, purchased 136 shares)
	August 3, 2015	20,364,930	25.22	Myung Hyun Cho, SK Broadband's independent director, disposed of 76 shares
	March 24, 2017	20,364,870	25.22	Retirement of Myung Hyun Cho, SK Broadband's independent director (ownership of 60 shares of the Company)
	March 28, 2017	20,365,370	25.22	Jung Ho Park, CEO of the Company, purchased 500 shares.
	March 30, 2017	20,365,870	25.22	Jung Ho Park, CEO of the Company, purchased 500 additional shares.

* Shares held are the sum of shares held by SK Holdings and its related parties.

2. Distribution of Shares**A. Shareholders with ownership of 5% or more and others**

(As of June 30, 2017)

(Unit: in shares and percentages)

Rank	Name (title)	Number of shares	Common share		Remarks
			Ownership ratio		
1	Citibank ADR	9,278,630	11.49%		—
2	SK Holdings	20,363,452	25.22%		—
3	SK Telecom	10,136,551	12.55%		Treasury shares
4	National Pension Service	7,283,694	9.02%		—
Shareholdings under the Employee Stock Ownership Program		—	0.00%		—

B. Shareholder Distribution

(As of June 30, 2017)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	54,097	99.9%	33,683,384	41.72%	—

* Defined as shareholders whose shareholding is less than a hundredth of the total issued and outstanding shares.



3. Share Price and Trading Volume in the Last Six Months

A. Domestic Securities Market

(Unit: in Won and shares)

Types	June 2017	May 2017	April 2017	March 2017	February 2017	January 2017
Common stock Highest	266,000	254,500	257,000	262,500	232,000	229,000
Lowest	242,000	235,500	239,500	229,500	218,000	219,000
Average	251,929	243,316	248,375	249,159	226,425	224,525
Daily transaction volume Highest						
Lowest	404,959	383,752	450,303	565,790	228,735	215,621
Monthly transaction volume	108,575	102,115	73,361	83,318	57,878	69,090
	4,669,531	4,238,668	3,040,692	5,047,382	2,921,647	2,588,126

B. Foreign Securities Market

New York Stock Exchange (Unit: in U.S. dollars and number of American Depositary Receipts)

Types	June 2017	May 2017	April 2017	March 2017	February 2017	January 2017
Depository receipt Highest	25.89	25.12	25.31	25.85	22.74	21.60
Lowest	23.93	23.14	23.59	22.22	21.32	20.64
Average	24.77	23.96	24.35	24.36	22.09	21.27
Daily transaction volume Highest	1,269,484	684,691	1,797,040	1,392,840	1,174,328	1,115,277
Lowest	207,995	289,764	216,065	297,515	271,692	309,727
Monthly transaction volume	10,156,333	9,518,262	10,683,634	17,388,812	11,178,746	12,249,057

VIII. EMPLOYEES AND DIRECTORS

1. Employees

(As of June 30, 2017)

(Unit: in persons and millions of Won)

Business segment	Gender	Number of employees						Average service year	Aggregate wage for the first three months of 2017	Average wage per person
		Employees without a fixed term of employment		Employees with a fixed term of employment		Total				
		Total	Part-time employees	Total	Part-time employees					
—	Male	3,772	—	106	—	3,878	12.6	270,547	70	
—	Female	576	—	84	—	660	9.7	32,809	50	
Total		4,348	—	190	—	4,538	12.2	303,356	67	

* Based on Section 9-1-2 (Employee Status) of the Corporate Disclosure Guidelines (amended as of June 2017).

2. Compensation of Directors

A. Amount Approved at the Shareholders' Meeting

(As of June 30, 2017)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Approved
Directors	6	12,000

**B. Amount Paid**

B-1. Total Amount

(As of June 30, 2017)			(Unit: in millions of Won)	
Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks	
7	1,500	214	—	

B-2. Amount by Classification

(As of June 30, 2017)			(Unit: in millions of Won)	
Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
Inside Directors	3	1,338	446	—
Independent Directors	1	42	42	—
Audit Committee Members	3	120	40	—
Auditor	—	—	—	—

3. Individual Compensation of Directors

Omitted in quarterly reports in accordance with Korean disclosure rules.

4. Stock Options Granted and Exercised**A. Stock Options Granted to Directors and Auditors**

(As of June 30, 2017)			(Unit: in millions of Won)	
Classification	Number of Directors	Fair Value of Stock Options	Remarks	
Inside Directors	3	145	—	
Independent Directors	1	—	—	
Audit Committee Members	3	—	—	
Total	7	145	—	

* See note 17 of the notes to the Company's consolidated financial statements attached hereto for more information regarding the calculation method for the fair value of stock options.

The fair value of stock options is based on the cost associated with stock options as set forth in the Company's statement of comprehensive income for the relevant period.

B. Stock Options Granted and Exercised

(As of June 30, 2017)

(Unit: in Won and shares)

Grantee	Relationship with the Company	Date of Grant	Method of Grant	Changes			Unexercised Number of Shares	Exercise Period	Exercise Price
				Granted	Exercised	Canceled			
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	—	—	22,168	March 25, 2019 – March 24, 2022	246,750
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	—	—	22,168	March 25, 2020 – March 24, 2023	266,490
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	—	—	22,168	March 25, 2021 – March 24, 2024	287,810

* As of June 30, 2017, the closing price is Won 266,000.

**IX. RELATED PARTY TRANSACTIONS****1. Line of Credit Extended to the Largest Shareholder**

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details			Ending	Accrued interest	Remarks
			Beginning	Increase	Decrease			
SK Wyverns	Affiliate	Long-term and short-term loans	814	—	—	814	19	—

2. Transfer of Assets to/from the Largest Shareholder and Other Transactions**Transfer of Assets**

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Transferred Assets	Purpose of Transfer	Details			Remarks
				Date of Transfer	Purchase Price	Sale Price	
SK TechX	Affiliate	Computer software	Sale of assets	January 31, 2017	—	552	—
Total					—	552	—

3. Transactions with the Largest Shareholder

None.

4. Related Party Transactions

See note 27 of the notes to the Company's consolidated financial statements attached hereto for more information regarding related party transactions.

5. Related Party Transactions (excluding Transactions with the Largest Shareholder and Related Persons)**A. Provisional Payment and Loans (including loans on marketable securities)**

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details			Ending	Accrued interest	Remarks
			Beginning	Increase	Decrease			
Baekmajang and others	Agency	Long-term and short-term loans	65,148	107,299	(97,193)	71,743	—	—
Daehan Kanggun BCN Inc.	Investee	Long-term loans	22,147	—	—	22,147	—	—

**X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS****1. Developments in the Items Mentioned in Prior Reports on Important Business Matters****A. Summary Minutes of the General Meeting of Shareholders**

<u>Date</u>	<u>Agenda</u>	<u>Resolution</u>
31st Fiscal Year Meeting of Shareholders (March 20, 2015)	1. Approval of the financial statements for the year ended December 31, 2014	Approved (Cash dividend, Won 8,400 per share)
	2. Amendments to Articles of Incorporation	Approved
	3. Election of directors <ul style="list-style-type: none"> • Election of an inside director 	Approved (Dong Hyun Jang)
	4. Election of an independent director as Audit Committee member	Approved (Jae Hoon Lee)
	5. Approval of remuneration limit for directors	Approved (Won 12 billion)
32nd Fiscal Year Meeting of Shareholders (March 18, 2016)	1. Approval of the financial statements for the year ended December 31, 2015	Approved (Cash dividend, Won 9,000 per share)
	2. Amendments to Articles of Incorporation	Approved
	3. Election of directors <ul style="list-style-type: none"> • Election of an inside director • Election of an independent director 	Approved (Dae Sik Cho) Approved (Dae Shick Oh)
	4. Election of an independent director as Audit Committee member	Approved (Dae Shick Oh)
	5. Approval of remuneration limit for directors	Approved (Won 12 billion)
	6. Amendments to executive payroll regulations	Approved
33rd Fiscal Year Meeting of Shareholders (March 24, 2017)	1. Approval of the financial statements for the year ended December 31, 2016	Approved (Cash dividend, Won 9,000 per share)
	2. Amendments to Articles of Incorporation	Approved
	3. Election of directors <ul style="list-style-type: none"> • Election of an inside director • Election of a non-executive director • Election of an independent director • Election of an independent director • Election of an independent director 	Approved (Jung Ho Park) Approved (Dae Sik Cho) Approved (Jae Hoon Lee) Approved (Jae Hyeon Ahn) Approved (Jung Ho Ahn)
	4. Election of an independent director as Audit Committee member <ul style="list-style-type: none"> • Election of an independent director as Audit Committee member • Election of an independent director as Audit Committee member 	Approved (Jae Hoon Lee) Approved (Jae Hyeon Ahn)
	5. Approval of remuneration limit for directors	Approved (Won 12 billion)
	6. Award of stock options	Approved



2. Contingent Liabilities

[SK Telecom]

A. Material Legal Proceedings

- (1) Claim for copyright license fees regarding “Coloring” services

On May 7, 2010, Korea Music Copyright Association (“KOMCA”) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company’s “Coloring” services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company filed an appeal at the Supreme Court of Korea and the judgment was overturned on July 11, 2013. The case was remanded down to the appellate court which ruled in favor of the Company on September 4, 2014. KOMCA filed an appeal at the Supreme Court of Korea, and on January 15, 2015, the Supreme Court of Korea affirmed the Seoul High Court’s decision. There is no impact on the Company’s business or results of operation as the final outcome of this litigation has been rendered in favor of the Company.

B. Other Contingent Liabilities

None.

[SK Broadband]

A. Material Legal Proceedings

As of June 30, 2017, there were twelve pending cases proceeding with SK Broadband as the defendant and the aggregate amount of the claims was Won 142 million. The Company does not believe that the outcome of any of the proceedings will have a material effect on the Company’s financial statements.

B. Other Contingent Liabilities

- (1) Pledged assets and covenants

SK Broadband has entered into revolving credit facilities with a limit of Won 80 billion with two financial institutions including Shinhan Bank in relation to its loans.

In connection with public offerings of notes, SK Broadband is subject to certain restrictions with respect to its debt ratio, third party payment guarantees and other limitations on liens.

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 673 million to support employees’ funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided “geun” mortgage amounting to Won 5,791 million to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

SK Broadband has entered into a leased line contract and a resale contract for fixed-line telecommunication services with SK Telecom.

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 19,238 million to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

KB Kookmin Bank has provided a payment guarantee of Won 100 million to SK Broadband in connection with its e-commerce business.



[SK Planet]

A. Material Legal Proceedings

As of June 30, 2017, there were ten pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claims was Won 3,498 million. The management cannot reasonably forecast the outcome of these cases and no amount in connection with these proceedings was recognized on the Company's financial statements.

B. Other Contingent Liabilities

(1) Borrowings

As of June 30, 2017, SK Planet's borrowings from financial institutions are set forth in the table below.

Financial Institution	Borrowing	(Unit: in thousands of Won)	
		Limit Amount	Borrowed Amount
KEB Hana Bank	Overdrafts	10,000,000	—
	Corporate credit card	70,000,000	41,325,915
Shinhan Bank	Overdrafts	15,000,000	—
	Electronic accounts receivable bond	15,000,000	—
Nonghyup Bank	Corporate credit card	5,000,000	—
Total		115,000,000	41,325,915

(2) Payment guarantees

The material payment guarantees provided by third parties to SK Planet as of June 30, 2017 are set forth in the table below.

Recipient	Financial institution	Guarantee	(Unit: in thousands of Won)
			Amount
SK Planet	Seoul Guarantee Insurance Company	Payment guarantee on e-commerce business	10,797,013
		Guarantee fulfillment of contractual obligations	2,423,581
	Other guarantees	500,000	

The material payment guarantee provided to a third party by SK Planet as of June 30, 2017 is set forth in the table below.

Recipient	Financial institution	Guarantee	(Unit: in thousands of Won)
			Amount
Celcom Planet Sdn Bhd	Citibank Berhad	Payment guarantee for overseas business	12,240,000
PT XL Planet	Citibank N.A., Indonesia	Payment guarantee for overseas business	12,200,000

[SK Telink]

A. Material Legal Proceedings

On October 14, 2016, 12 creditors filed a lawsuit to demand a court injunction against SK Telink regarding its plan to issue new stock (219,967 shares with a face value of Won 5,000) pursuant to the resolution of SK Telink's board of directors on September 22, 2016. The court granted SK Telink's motion to dismiss on October 24, 2016. There is no impact on SK Telink's business or results of operation as the claim has been conclusively dismissed.



B. Other Contingent Liabilities

Seoul Guarantee Insurance Company and KB Insurance have provided performance guarantees of Won 13,279,515 thousand and Won 3,995,000 thousand, respectively, to SK Telink in connection with the performance of and potential losses from certain contracts.

SK Telink has provided a performance guarantee of up to Won 245,019 thousand to business partners through Seoul Guarantee Insurance Company.

SK Telink has entered into revolving credit facilities with a limit of Won 30 billion with KEB Hana Bank in relation to its loans.

[SK Communications]

A. Material Legal Proceedings

As of June 30, 2017, the aggregate amount of pending claims against SK Communications was Won 1,064 million. There were twelve pending cases relating to a leak of personal information of subscribers of NATE at various appellate courts and the Supreme Court in Korea. Among the pending cases, the district courts partially ruled against SK Communications in two cases and the claimed amounts with respect to such cases was Won 577 million.

The management cannot reasonably forecast the outcome of these cases and no amount in connection with these proceedings was recognized on the Company's financial statements due to uncertainty of the impact of the outcome.

B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of June 30, 2017 are set forth in the table below.

(Unit: in thousands of Won)

<u>Financial Institution</u>	<u>Guarantee</u>	<u>Amount</u>
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
	Provisional deposit guarantee insurance for bonds	10,000
	Provisional attachment of real estate	118,000
	Total	828,000

[Iriver]

A. Material Legal Proceedings

As of June 30, 2017, there was one pending case against Iriver for damages of Won 1 billion. The management cannot reasonably forecast the outcome of this case or the impact of the outcome on the Company's financial statements due to uncertainty of the amount to be charged to the Company.

B. Other Contingent Liabilities

(1) As of June 30, 2017, Iriver's borrowings from financial institutions are set forth in the table below.

(Unit: in thousands of Won)

<u>Financial Institution</u>	<u>Borrowing</u>	<u>Limit Amount</u>	<u>Borrowed Amount</u>
Kookmin Bank	Trade		
	finance	1,000,000	—

(2) Seoul Guarantee Insurance Company has provided performance guarantees of Won 133 million to Iriver in connection with the performance of contracts, advance payment guarantee and defective guarantee.



(3) Iriver has entered into design and technology contracts with domestic and foreign companies for the production of products and has made payments for the use of design and technology, which derived from the sale of the products or the use of the patent. The design and technology fees incurred during the six months ended June 30, 2017 and June 30, 2016 were Won 376 million and Won 142 million, respectively, and such fees are included in cost of sales and selling and administrative expenses.

[NSOK]

A. Material Legal Proceedings

On June 21, 2016, a lawsuit was filed against NSOK for damages of Won 40 million in connection with the installation of security services. The plaintiff accepted an offer of reconciliation by court without making further complaints, which led to a settlement on April 5, 2017. There is no impact on NSOK's business or results of operation as a result of the settlement.

B. Other Contingent Liabilities

NSOK has entered into revolving credit facilities with a limit of Won 10 billion with Woori Bank in relation to its loans.

3. Status of Sanctions, etc.

[SK Telecom]

On March 7, 2014, the MSIP imposed a suspension of operations for 45 days for failure to observe the order of the Korea Communications Commission to cease providing discriminatory subsidies to subscribers. The Company suspended its operations during the period between April 5, 2014 and May 19, 2014, and reported to the MSIP on the implementation of actions pursuant to the suspension order by May 2014.

On March 13, 2014, the Korea Communications Commission imposed on the Company a fine of Won 16.65 billion, imposed a suspension on acquiring new customers for 7 days, and issued a correctional order for providing discriminatory subsidies to subscribers. In April 2014, the Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by April 2014. The Company suspended acquisition of new customers during the period beginning September 11, 2014 and ending September 17, 2014, and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by September 2014.

On January 31, 2013, the Seoul Central District Court acquitted Mr. Jae Won Chey, the Company's former director and vice chairman, on all charges against him. On September 27, 2013, the Seoul High Court reversed the acquittal of the above-mentioned former director, sentencing him to a prison term of three and a half years for violating the Act on the Aggravated Punishment, etc. of Specific Economic Crimes. On February 27, 2014, the Supreme Court of Korea affirmed the Seoul High Court's decision. While the court's final decision on the appealed case is not expected to have a material effect on the Company's financial position, investors should note that it is difficult to predict, among others, the market's assessment of such case.

On August 21, 2014, the Korea Communications Commission imposed on the Company a fine of Won 37.1 billion and issued a correctional order for providing discriminatory subsidies to subscribers. The Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by September 2014.

On December 4, 2014, the Korea Communications Commission imposed on the Company a fine of Won 800 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act. The Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by January 2015.



On March 12, 2015, the Korea Communications Commission imposed on the Company a fine of Won 934 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to the Company's compensation programs for used handsets. The Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by April 2015.

On March 26, 2015, the Korea Communications Commission imposed on the Company a fine of Won 23.5 billion, imposed a suspension on acquiring new customers for seven days, and issued a correctional order for violating the Mobile Device Distribution Improvement Act. The Company paid the fine and implemented the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in May 2015. The suspension on acquiring new customers was implemented from October 1, 2015 to October 7, 2015.

On May 13, 2015, the Korea Communications Commission imposed on the Company a fine of Won 3.56 billion and issued a correctional order for violating its obligations to protect personal information (a fine of Won 360 million imposed for violation of its obligations to protect personal information and Won 3.2 billion imposed for damaging users' interests). The Company paid the fine in July 2015 and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in September 2015. Whether the correctional order on the violation of obligations to protect personal information will be enforced depends on the Court's ruling following the Company's filing of an administrative proceeding to appeal the order on June 24, 2015.

On May 28, 2015, the Korea Communications Commission imposed on the Company a fine of Won 350 million and issued a correctional order for misleading and exaggerated advertisement of bundled media and telecommunications products. The Company paid the fine in August 2015 and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in October 2015.

On December 10, 2015, the Korea Communications Commission imposed on the Company a fine of Won 560 million and issued a correctional order for misleading and exaggerated advertisement of bundled media and telecommunications products. The Company paid the fine and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in February 2016.

On January 14, 2016, the Korea Communications Commission imposed on the Company a fine of Won 15 million and issued a correctional order for failure to comply with the retention period for its subscribers' personal information. The Company paid the fine and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order.

On December 6, 2016, the Korea Communications Commission imposed on the Company a fine of Won 1,280 million and issued a correctional order for violating the rights of subscribers in relation to its high-speed internet and bundled services. The Company paid the fine and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order.

On December 21, 2016, the Korea Communications Commission imposed on the Company a fine of Won 30 million and issued a correctional order for violation of its obligations to protect personal location-based information. The Company paid the fine and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order.

On March 21, 2017, the Korea Communications Commission imposed on the Company a fine of Won 794 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to the Company's promotions targeting foreigners. The Company paid the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order.



[SK Broadband]

(1) Violation of the Telecommunications Business Act

- Date: May 28, 2015
- Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests through misleading and exaggerated advertisement of bundled media and telecommunications products).
- Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by inducing subscribers through misleading and exaggerated advertisements.
- Status of Implementation: Established plans to manage distribution network related to the misleading and exaggerated advertisements.
- Company's Plan: Make an official announcement about having received the correctional order and improve operational procedures.

(2) Violation of the Telecommunications Business Act

- Date: December 10, 2015
- Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests through misleading and exaggerated advertisement of bundled media and telecommunications products).
- Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by inducing subscribers through misleading and exaggerated advertisements.
- Status of Implementation: Made an official announcement about having received the correctional order and paid the fine.
- Company's Plan: Make an official announcement about having received the correctional order

(3) Violation of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.

- Date: August 2, 2016
- Sanction: SK Broadband was imposed a fine of Won 3.8 million for breaching of restrictions on transmission of advertising information for profit.
- Reason and the Relevant Law: Violated Articles 50-2, 50-4, 50-6 and 76 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. and Article 74 of its Enforcement Decree by transmitting advertising information for profits to users who express their intention to refuse to receive the information.
- Status of Implementation: Implemented improvements to spam related activity and paid the fine.
- Company's Plan: Implement procedures to prevent recurrence of spam.

(4) Violation of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.

- Date: September 2, 2016



- Sanction: SK Broadband was imposed a fine of Won 3 million for breaching of restrictions on rendering information transmission services.
- Reason and the Relevant Law: Violated Articles 50-4 and 76 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. and Article 74 of its Enforcement Decree by lacking of management and supervision standards in merchants involved in spamming and by not putting any sanctions on them.
- Status of Implementation: Implemented improvements to spam related activity and paid the fine.
- Company's Plan: Implement procedures to prevent recurrence of spam.

(5) Violation of the Telecommunications Business Act

- Date: September 27, 2016
- Sanction: SK Broadband was imposed a fine of Won 6.4 million.
- Reason and the Relevant Law: Violated Article 84-2 Paragraph 1, 104-2 Paragraph 5 of the Telecommunications Business Act and Article 66 of its Enforcement Decree by not having performed technological measures to prevent caller ID manipulations.
- Status of Implementation: Paid the fine (September 27, 2016).
- Company's Plan: Implement technological measures to prevent caller ID manipulations through institutional improvement.

(6) Violation of the Telecommunications Business Act

- Date: December 6, 2016
- Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests in relation to high speed internet products and gifts).
- Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by providing telecommunications services in a manner different from the terms and conditions of use.
- Status of Implementation: Made an official announcement about having received the correctional order and paid the fine.
- Company's Plan: Implement the correctional order and pay the fine.

(7) Violation of the Internet Multimedia Broadcast Services Act

- Date: December 21, 2016
- Sanction: SK Broadband received a correctional order (corrective measures for violating prohibited acts under the Internet Multimedia Broadcast Services Act).
- Reason and the Relevant Law: Violated Article 17-1 Paragraph 2 of the Internet Multimedia Broadcast Services Act and Article 15 of its Enforcement Decree by performing prohibited acts which undermine or are likely to undermine the fair competition of service providers or the interests of users.
- Status of Implementation: Ceased the prohibited practice and paid the fine (Plan to make an official announcement about having received the correctional order and improve operating procedures).
- Company's Plan: Improve operation procedures in relation to the violation of prohibited acts.



[SK Planet]

(1) Violation of the Electronic Financial Transactions Act

- Date: May 4, 2016
- Sanction: SK Planet received a fine of Won 25 million.
- Reason and the Relevant Law: Violated Article 21 (Duty to Ensure Safety) of the Electronic Financial Transactions Act.
- Status of Implementation: Paid the fine.
- Company's Plan: Implemented procedures to prevent recurrence such as setting up various detailed test scenarios, enhancing quality assurance, organizing real-time notification processes upon detection of abnormal transactions and refining a continuous monitoring and reporting system

(2) Violation of the Act on Consumer Protection in Electronic Commerce

- Date: August 19, 2016 (Fined); September 12, 2016 (Warned)
- Sanction: SK Planet received a fine of Won 5 million.
- Reason and the Relevant Law: Violated Article 21 (Prohibited Acts) of the Act on Consumer Protection in Electronic Commerce.
- Status of Implementation: Admitted to the violation in connection with the warning but submitted a statement of objection on August 26, 2016 regarding the fine.
- Company's Plan: Executed a seminar regarding the Act on Consumer Protection in Electronic Commerce to prevent recurrence, reviewed the advertisement/display approval process and implemented a continuous monitoring system.

(3) Violation of the Framework Act on Logistics Policies

- Date: November 10, 2016
- Sanction: SK Planet received a fine of Won 156 thousand for failing to register a modification of the international logistics brokerage business on time (Within 60 days from the date of modification).
- Reason and the Relevant Law: Violated Article 43 of the Framework Act on Logistics Policies (Registration of international logistics brokerage business).
- Company's Plan: Implemented a continuous monitoring system to prevent its recurrence in registration of a modification.

(4) Violation of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.

- Date: April 10, 2017
- Sanction: SK Planet received and paid a fine of Won 10 million for breaching of protective measures for personal information rule by not conducting additional measures for security apart from requesting ID and password with a merchant management system under IMPAY service, which was disclosed during a survey on personal information protection carried out by the Korea Communications Commission in August 2016.



- Reason and the Relevant Law: Violated Article 28 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. (Protective Measures for Personal Information)
- Company's Plan: Implemented an additional authentication procedure (OTP authentication) to the merchant management system / implemented additional internal training and improved management to prevent its recurrence.

[SK Telink]

(1) Violation of the Telecommunications Business Act

- Date: August 21, 2015
- Subject: SK Telink
- Sanction: SK Telink received a correctional order and a fine of Won 480 million.
- Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 and Article 50-2 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by failing to inform or giving false information about key terms of the contract and failing to deliver usage contract
- Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in a newspaper (October 2015), improved operating procedures related to recruitment of users through phone solicitation calls and paid the fine (October 2015).
- Company's Plan: Accurately inform consumers of key terms of the contract and distribute usage contract by mail after entering into contract.

(2) Violation of the Telecommunications Business Act

- Date: February 4, 2016
- Sanction: SK Telink received a correctional order and a fine of Won 49 million.
- Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by transferring account names of cell phone lines without subscribers' consent, changing phone numbers upon such transfer of account names, subscribing users to cell phone lines that exceed the maximum number of cell phone lines determined in the user agreement, opening accounts using a third party's name and transferring ownership of and reselling the account, changing account names with fabricated names of foreigners and changing accounts of cell phone lines owned by foreigners whose residency period in Korea has expired.
- Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in the press (May 2016) and paid the fine (May 2016).
- Company's Plan: Improve operating procedures to prevent its recurrence.



4. Important Matters That Occurred After June 30, 2017

None.

5. Use of Direct Financing

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

Not applicable.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Sung Hyung Lee

(Signature)

Name: Sung Hyung Lee

Title: Senior Vice President

Date: September 14, 2017



SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2017 and 2016

(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, 2017, the related condensed separate statements of income and comprehensive income for the three and six-month periods ended June 30, 2017 and 2016, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016, 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 necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 statements 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*.



Other matters

The separate statement of financial position of the Company as of December 31, 2016, 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 22, 2017, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2016, 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 4, 2017

This report is effective as of August 4, 2017, 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.



SK TELECOM CO., LTD.
Condensed Separate Statements of Financial Position
As of June 30, 2017 and December 31, 2016

(In millions of won)

	Note	June 30, 2017	December 31, 2016
Assets			
Current Assets:			
Cash and cash equivalents	23,24	₩ 715,610	874,350
Short-term financial instruments	23,24	114,000	95,000
Short-term investment securities	5,23,24	47,407	97,340
Accounts receivable – trade, net	4,23,24,25	1,603,693	1,594,504
Short-term loans, net	4,23,24,25	66,396	54,143
Accounts receivable – other, net	4,23,24,25,27	739,638	772,570
Prepaid expenses		105,059	107,989
Derivative financial assets	13,23,24	14,689	—
Inventories, net		31,885	32,479
Advanced payments and other	4,23,24	19,640	32,740
Total Current Assets		3,458,017	3,661,115
Non-Current Assets:			
Long-term financial instruments	23,24	382	102
Long-term investment securities	5,23,24	694,816	560,966
Investments in subsidiaries, associates and joint ventures	6	8,756,372	8,726,538
Property and equipment, net	7,25	6,508,103	7,298,539
Goodwill		1,306,236	1,306,236
Intangible assets, net	8	3,273,865	3,275,663
Long-term loans, net	4,23,24,25	8,911	11,160
Long-term accounts receivable - other	4,23,24,25,27	104,859	147,139
Long-term prepaid expenses		27,393	27,918
Guarantee deposits	4,23,24,25	168,993	173,287
Long-term derivative financial assets	13,23,24	63,127	176,465
Deferred tax assets	21	34,123	58,410
Defined benefit assets	12	—	24,787
Other non-current assets		249	249
Total Non-Current Assets		20,947,429	21,787,459
Total Assets		₩ 24,405,446	25,448,574

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, 2017 and December 31, 2016

(In millions of won)

	<i>Note</i>	June 30, 2017	December 31, 2016
Liabilities and Shareholders' Equity			
Current Liabilities:			
Current installments of long-term debt, net	9,23,24	₩ 1,270,394	628,868
Current installments of long-term payables - other	10,23,24	299,189	301,773
Accounts payable – other	23,24,25	883,330	1,546,252
Withholdings	23,24	745,663	642,582
Accrued expenses	23,24	635,749	663,918
Income tax payable	21	252,241	461,999
Unearned revenue		1,257	1,360
Derivative financial liabilities	13,23,24	70,495	86,950
Provisions	11	59,943	59,027
Receipts in advance		66,372	71,431
Total Current Liabilities		4,284,633	4,464,160
Non-Current Liabilities:			
Debentures, excluding current installments, net	9,23,24	4,271,800	4,991,067
Long-term borrowings, excluding current installments, net	9,23,24	51,563	61,416
Long-term payables - other	10,23,24	1,317,292	1,602,943
Long-term unearned revenue		2,143	2,389
Defined benefit liabilities	12	3,681	—
Long-term provisions	11	16,233	21,493
Other non-current liabilities	23,24	43,869	48,152
Total Non-Current Liabilities		5,706,581	6,727,460
Total Liabilities		9,991,214	11,191,620
Shareholders' Equity:			
Share capital	1,14	44,639	44,639
Capital surplus and others	14,15	371,626	371,481
Retained earnings	16	13,954,609	13,902,627
Reserves	17	43,358	(61,793)
Total Shareholders' Equity		14,414,232	14,256,954
Total Liabilities and Shareholders' Equity		₩ 24,405,446	25,448,574

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, 2017 and 2016

(In millions of won except for per share data)

	Note	June 30, 2017		June 30, 2016	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Operating revenue:	25				
Revenue		₩ 3,109,630	6,197,586	3,091,988	6,190,249
Operating expenses:	25				
Labor		151,931	308,809	161,832	334,817
Commissions		1,196,606	2,394,123	1,140,041	2,358,319
Depreciation and amortization		586,841	1,172,312	547,735	1,090,181
Network interconnection		152,225	308,959	189,188	382,473
Leased line		70,846	146,744	91,922	180,554
Advertising		40,715	63,159	48,548	75,606
Rent		109,780	221,301	107,321	211,868
Cost of products that have been resold		130,641	266,076	123,131	243,026
Others	18	207,697	414,359	204,065	405,349
		<u>2,647,282</u>	<u>5,295,842</u>	<u>2,613,783</u>	<u>5,282,193</u>
Operating profit		462,348	901,744	478,205	908,056
Finance income	20	21,001	147,187	20,614	127,830
Finance costs	20	(75,528)	(140,525)	(60,404)	(123,643)
Other non-operating income	19	2,664	9,320	8,429	37,328
Other non-operating expenses	19	(21,850)	(39,458)	(18,770)	(55,823)
Loss on investments in subsidiaries and associates	6	(15,305)	(15,305)	(47,618)	(47,618)
Profit before income tax		373,330	862,963	380,456	846,130
Income tax expense	21	59,280	160,707	96,313	179,780
Profit for the period		₩ 314,050	702,256	284,143	666,350
Earnings per share:	22				
Basic and diluted earnings per share (in won)		₩ 4,328	9,826	3,905	9,318

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, 2017 and 2016

(In millions of won)

	Note	June 30, 2017		June 30, 2016	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Profit for the period		₩ 314,050	702,256	284,143	666,350
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss, net of taxes:					
Remeasurement of defined benefit liabilities	12	406	(6,372)	(2,188)	(9,085)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:					
Net change in unrealized fair value of available-for-sale financial assets	17	56,010	99,347	(32,907)	15,802
Net change in unrealized fair value of derivatives	13,17	13,533	5,804	5,322	(7,841)
Other comprehensive income (loss) for the period, net of taxes		69,949	98,779	(29,773)	(1,124)
Total comprehensive income		₩ 383,999	801,035	254,370	665,226

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, 2017 and 2016

(In millions of won)

	Note	Capital surplus and others						Total	Retained earnings	Reserves	Total equity
		Share capital	Paid-in surplus	Treasury stock	Hybrid bond	Share Option	Other				
Balance, January 1, 2016		₩ 44,639	2,915,887	(2,260,626)	398,518	—	(684,333)	369,446	13,418,603	(53,228)	13,779,460
Total comprehensive income:											
Profit for the period		—	—	—	—	—	—	—	666,350	—	666,350
Other comprehensive income (loss)	12,13,17	—	—	—	—	—	—	—	(9,085)	7,961	(1,124)
		—	—	—	—	—	—	—	657,265	7,961	665,226
Transactions with owners:											
Cash dividends		—	—	—	—	—	—	—	(635,482)	—	(635,482)
Business combination under common control		—	—	—	—	—	2,035	2,035	—	—	2,035
Interest on hybrid bond		—	—	—	—	—	—	—	(8,420)	—	(8,420)
		—	—	—	—	—	2,035	2,035	(643,902)	—	(641,867)
Balance, June 30, 2016		₩ 44,639	2,915,887	(2,260,626)	398,518	—	(682,298)	371,481	13,431,966	(45,267)	13,802,819
Balance, January 1, 2017		₩ 44,639	2,915,887	(2,260,626)	398,518	—	(682,298)	371,481	13,902,627	(61,793)	14,256,954
Total comprehensive income:											
Profit for the period		—	—	—	—	—	—	—	702,256	—	702,256
Other comprehensive income (loss)	12,13,17	—	—	—	—	—	—	—	(6,372)	105,151	98,779
		—	—	—	—	—	—	—	695,884	105,151	801,035
Transactions with owners:											
Cash dividends		—	—	—	—	—	—	—	(635,482)	—	(635,482)
Share option		—	—	—	—	145	—	145	—	—	145
Interest on hybrid bond		—	—	—	—	—	—	—	(8,420)	—	(8,420)
		—	—	—	—	145	—	145	(643,902)	—	(643,757)
Balance, June 30, 2017		₩ 44,639	2,915,887	(2,260,626)	398,518	145	(682,298)	371,626	13,954,609	43,358	14,414,232

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, 2017 and 2016

(In millions of won)

	<u>Note</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period		₩ 702,256	666,350
Adjustments for income and expenses	26	1,431,941	1,423,773
Changes in assets and liabilities related to operating activities	26	(216,566)	(184,697)
Sub-total		1,917,631	1,905,426
Interest received		25,733	12,566
Dividends received		99,423	96,433
Interest paid		(93,362)	(109,351)
Income tax paid		(377,715)	(245,836)
Net cash provided by operating activities		<u>1,571,710</u>	<u>1,659,238</u>
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term investment securities, net		50,000	—
Decrease in short-term financial instruments, net		—	14,000
Collection of short-term loans		97,193	87,079
Proceeds from disposal of long-term investment securities		4,781	7,438
Increase in cash due to business combination		—	360
Proceeds from disposal of property and equipment		9,950	5,575
Proceeds from disposal of intangible assets		992	1,117
Sub-total		162,916	115,569
Cash outflows for investing activities:			
Increase in short-term investment securities, net		—	(230,000)
Increase in short-term financial instruments, net		(19,000)	—
Increase in short-term loans		(107,300)	(100,477)
Acquisition of long-term investment securities		(5,367)	(14,677)
Acquisition of investments in subsidiaries and associates		(45,139)	(31,258)
Acquisition of property and equipment		(748,089)	(504,302)
Acquisition of intangible assets		(11,698)	(16,010)
Sub-total		(936,593)	(896,724)
Net cash used in investing activities		<u>₩ (773,677)</u>	<u>(781,155)</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, 2017 and 2016

(In millions of won)

	<i>Note</i>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from issuance of debentures		₩ 368,456	607,474
Sub-total		368,456	607,474
Cash outflows from financing activities:			
Decrease in short-term borrowings, net		—	(230,000)
Repayments of long-term borrowings		(6,407)	(6,407)
Repayments of long-term account payables-other		(302,867)	(120,718)
Repayments of debentures		(349,119)	(270,000)
Payments of cash dividends		(635,482)	(635,482)
Payments of interest on hybrid bond		(8,420)	(8,420)
Cash outflows from transactions of derivatives		(22,883)	—
Sub-total		(1,325,178)	(1,271,027)
Net cash used in financing activities		(956,722)	(663,553)
Net increase (decrease) in cash and cash equivalents		(158,689)	214,530
Cash and cash equivalents at beginning of the period		874,350	431,666
Effects of exchange rate changes on cash and cash equivalents		(51)	25
Cash and cash equivalents at end of the period		₩ 715,610	646,221

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, 2017 and 2016

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, 2017, the Company’s total issued shares are held by the following shareholders:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority shareholders	50,245,708	62.23
Treasury shares	10,136,551	12.55
Total number of shares	<u>80,745,711</u>	<u>100.00</u>

2. Basis of Presentation

(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, 2016. 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, of significant influence over, an investee, in which the investments are accounted for at cost.

(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, 2016.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

2. Basis of Presentation, 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 an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the finance executive.

The valuation team 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 valuation team 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 is included in Note 24.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

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, 2016. In addition, the following new standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Company has not early adopted the following new standards in preparing these condensed separate interim financial statements.

(1) K-IFRS No. 1109, *Financial Instruments*

The Company currently plans to apply K-IFRS No.1109 in the period beginning on January 1, 2018 and to assess the financial impact on its financial statements resulting from the adoption of K-IFRS No. 1109 by December 31, 2017. The assessment results will be disclosed in its annual financial statements for the year ending December 31, 2017. As of June 30, 2017, there have been no material changes related to the Company's plan for the adoption of K-IFRS No. 1109 which was disclosed in the Company's separate financial statements as of December 31, 2016.

(2) K-IFRS No. 1115, *Revenue from Contracts with Customers*

The Company currently plans to apply K-IFRS No.1115 in the period beginning on January 1, 2018 and to assess the financial impact on its financial statements resulting from the adoption of K-IFRS No. 1115 by December 31, 2017. The assessment results will be disclosed in its annual financial statements for the year ending December 31, 2017. As of June 30, 2017, there have been no material changes related to the Company's plan for the adoption of K-IFRS No. 1115 which was disclosed in the Company's separate financial statements as of December 31, 2016.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

4. Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017		
	Gross amount	Allowances for doubtful accounts	Carrying amount
Current assets:			
Accounts receivable - trade	₩ 1,719,188	(115,495)	1,603,693
Short-term loans	67,067	(671)	66,396
Accounts receivable - other	795,570	(55,932)	739,638
Accrued income	847	—	847
	<u>2,582,672</u>	<u>(172,098)</u>	<u>2,410,574</u>
Non-current assets:			
Long-term loans	50,036	(41,125)	8,911
Accounts receivable - other	104,859	—	104,859
Guarantee deposits	168,993	—	168,993
	<u>323,888</u>	<u>(41,125)</u>	<u>282,763</u>
	<u>₩ 2,906,560</u>	<u>(213,223)</u>	<u>2,693,337</u>

(In millions of won)

	December 31, 2016		
	Gross amount	Allowances for doubtful accounts	Carrying amount
Current assets:			
Accounts receivable - trade	₩ 1,713,531	(119,027)	1,594,504
Short-term loans	54,690	(547)	54,143
Accounts receivable - other	830,675	(58,105)	772,570
Accrued income	460	—	460
	<u>2,599,356</u>	<u>(177,679)</u>	<u>2,421,677</u>
Non-current assets:			
Long-term loans	52,308	(41,148)	11,160
Accounts receivable - other	147,139	—	147,139
Guarantee deposits	173,287	—	173,287
	<u>372,734</u>	<u>(41,148)</u>	<u>331,586</u>
	<u>₩ 2,972,090</u>	<u>(218,827)</u>	<u>2,753,263</u>



SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2017 and 2016

4. Trade and Other Receivables, Continued

(2) Changes in the allowances for doubtful accounts during the six-month periods ended June 30, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2017	June 30, 2016
Balance at January 1	₩ 218,827	204,677
Bad debt expense	10,529	15,137
Write-offs	(29,594)	(22,863)
Collection of receivables previously written-off	13,461	10,286
Balance at June 30	₩ 213,223	207,237

5. Investment Securities

(1) Details of short-term investment securities as of June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of won)</i>	June 30, 2017	December 31, 2016
Beneficiary certificates	₩ 47,407	97,340

(2) Details of long-term investment securities as of June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of won)</i>	June 30, 2017	December 31, 2016
Equity securities:		
Marketable equity securities	₩ 552,486	421,846
Unlisted equity securities	77,528	78,198
Equity investments	54,049	50,633
	684,063	550,677
Debt securities:		
Investment bonds(*)	10,753	10,289
	₩ 694,816	560,966

(*) The Company classified the convertible bonds of IRIVER LIMITED, amounting to ₩7,824 million, as financial assets at fair value through profit or loss and the changes in the difference between carrying amount and fair value was accounted for as gain or loss relating to financial assets at fair value through profit or loss.



SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2017 and 2016

6. Investments in Subsidiaries, Associates and Joint ventures

(1) Investments in subsidiaries, associates and joint ventures as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Investments in subsidiaries	₩ 4,375,790	4,345,956
Investments in associates and joint ventures	4,380,582	4,380,582
	<u>₩ 8,756,372</u>	<u>8,726,538</u>

(2) Details of investments in subsidiaries as of June 30, 2017 and December 31, 2016 are as follows:

<i>(In millions of won)</i>	June 30, 2017			December 31, 2016
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
SK Telink Co., Ltd.	1,302,239	85.9	₩ 208,707	208,707
SK Broadband Co., Ltd.	298,460,212	100.0	1,870,582	1,870,582
SK Communications Co., Ltd.(*1)	43,427,530	100.0	126,185	82,857
PS&Marketing Corporation	66,000,000	100.0	313,934	313,934
SERVICEACE Co., Ltd.	4,385,400	100.0	21,927	21,927
SERVICE TOP Co., Ltd.	2,856,200	100.0	14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0	15,000	15,000
SK Planet Co., Ltd.	57,338,266	98.1	1,298,237	1,298,237
IRIVER LIMITED(*2)	15,202,039	48.9	54,503	54,503
SK Telecom China Holdings Co., Ltd.	—	100.0	38,652	38,652
SKT Vietnam PTE. Ltd.	180,476,700	73.3	2,364	2,364
SKT Americas, Inc.	122	100.0	45,701	45,701
YTK Investment Ltd.(*3)	—	100.0	3,388	18,693
Atlas Investment	—	100.0	84,495	82,684
SK Global Healthcare Business Group Ltd.	—	100.0	39,649	39,649
Entrix Co., Ltd.	4,157,000	100.0	27,628	27,628
SK techx Co., Ltd.	6,323,905	100.0	128,371	128,371
One Store Co., Ltd.	10,409,600	65.5	82,186	82,186
			<u>₩ 4,375,790</u>	<u>4,345,956</u>

(*1) On November 24, 2016, the board of directors of the Company resolved to acquire all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at ₩2,814 per share in cash. As of June 30, 2017, the Company wholly owns the SK Communications Co., Ltd.

(*2) Although the Company has less than 50% of the voting rights of IRIVER LIMITED, the Company is considered to have control over IRIVER LIMITED since the Company holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed.

(*3) Impairment loss amounting to ₩15,305 million was recognized during the six-month period ended June 30, 2017.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

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6. Investments in Subsidiaries, Associates and Joint ventures, Continued

(3) Details of investments in associates and joint ventures as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won, except for share data)

	June 30, 2017			December 31, 2016
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
Investments in associates:				
SK China Company Ltd.(*1)	720,000	9.6	₩ 46,736	47,830
HappyNarae Co., Ltd.	680,000	42.5	12,250	12,250
Korea IT Fund(*2)	190	63.3	220,957	220,957
Wave City Development Co., Ltd.(*1)	393,460	19.1	1,532	1,532
KEB HanaCard Co., Ltd.(*1)	39,902,323	15.0	253,739	253,739
Daehan Kanggun BcN Co., Ltd.	1,675,124	29.0	353	353
NanoEnTek, Inc.	6,960,445	28.5	47,958	47,958
SK Industrial Development China Co., Ltd.	72,952,360	21.0	83,691	83,691
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
SKY Property Mgmt. Ltd.	12,639	33.0	145,656	145,656
SK USA, Inc. and others	—	—	82,917	81,823
			₩ 4,345,106	4,345,106
Investment in joint venture:				
Finnq Co. Ltd.(*3)	4,900,000	49.0	₩ 24,580	24,580
12CM GLOBAL PTE. LTD.(*3)	1,007,143	62.7	10,896	10,896
			35,476	35,476
			₩ 4,380,582	4,380,582

(*1) 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.

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

(*3) These investments were classified as investment in joint venture as the Company has joint control pursuant to the agreement with the other shareholders.



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For the six-month periods ended June 30, 2017 and 2016

7. Property and Equipment

Changes in property and equipment for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017					
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 506,786	2,293	(3,625)	8,765	—	514,219
Buildings	557,021	129	(302)	18,540	(18,347)	557,041
Structures	357,065	2,115	(70)	414	(17,367)	342,157
Machinery	4,781,985	22,100	(985)	416,388	(822,774)	4,396,714
Other	492,410	207,928	(2,421)	(204,150)	(55,284)	438,483
Construction in progress	603,272	195,537	(1,811)	(537,509)	—	259,489
	<u>₩ 7,298,539</u>	<u>430,102</u>	<u>(9,214)</u>	<u>(297,552)</u>	<u>(913,772)</u>	<u>6,508,103</u>

(In millions of won)

	For the six-month period ended June 30, 2016						
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Others	Ending balance
Land	₩ 494,359	1,725	(2,639)	7,519	—	—	500,964
Buildings	557,932	295	(8,411)	19,014	(17,792)	—	551,038
Structures	342,411	486	(15)	5,224	(16,459)	—	331,647
Machinery	5,222,023	44,201	(3,033)	235,486	(806,843)	2,612	4,694,446
Other	402,252	125,304	(2,036)	(127,123)	(55,768)	344	342,973
Construction in progress	423,303	115,679	(6,848)	(154,557)	—	3,439	381,016
	<u>₩ 7,442,280</u>	<u>287,690</u>	<u>(22,982)</u>	<u>(14,437)</u>	<u>(896,862)</u>	<u>6,395</u>	<u>6,802,084</u>



SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2017 and 2016

8. Intangible Assets

(1) Details of the changes in intangible assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017					
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Ending balance
Frequency usage rights	₩ 2,580,828	—	—	—	(201,944)	2,378,884
Land usage rights	8,359	1,243	(81)	200	(1,831)	7,890
Industrial rights	13,692	2,196	—	—	(1,815)	14,073
Facility usage rights	16,259	651	(30)	118	(1,347)	15,651
Club memberships	43,984	1,125	(145)	—	—	44,964
Other	612,541	6,483	(563)	307,619	(113,677)	812,403
	<u>₩ 3,275,663</u>	<u>11,698</u>	<u>(819)</u>	<u>307,937</u>	<u>(320,614)</u>	<u>3,273,865</u>

(In millions of won)

	For the six-month period ended June 30, 2016						
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Others	Ending balance
Frequency usage rights	₩ 1,103,517	—	—	—	(140,264)	—	963,253
Land usage rights	11,695	781	—	—	(2,265)	—	10,211
Industrial rights	11,828	1,971	—	—	(1,923)	202	12,078
Facility usage rights	16,486	478	(4)	72	(1,277)	—	15,755
Club memberships	61,512	118	(1,057)	—	—	—	60,573
Other	561,031	12,662	—	28,307	(104,137)	25,676	523,539
	<u>₩ 1,766,069</u>	<u>16,010</u>	<u>(1,061)</u>	<u>28,379</u>	<u>(249,866)</u>	<u>25,878</u>	<u>1,585,409</u>

(2) Details of frequency usage rights as of June 30, 2017 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license		Frequency usage rights relating to CDMA and LTE service		
	₩ 162,176		Jul. 2011	Jun. 2021
1.8GHz license	565,290	Frequency usage rights relating to LTE service	Sept. 2013	Dec. 2021
WiBro license	4,132	WiBro service	Mar. 2012	Mar. 2019
2.6GHz license	1,153,480	Frequency usage rights relating to LTE service	Sept. 2016	Dec. 2026
2.1GHz license	493,806	Frequency usage rights relating to W-CDMA and LTE service	Dec. 2016	Dec. 2021
	<u>₩ 2,378,884</u>			



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For the six-month periods ended June 30, 2017 and 2016

9. Borrowings and Debentures

(1) Changes in long-term borrowings for the six-month period ended June 30, 2017 are as follows:

(In millions of won)

	Lender	Annual interest rate	Maturity	Book value
Current				₩ 13,491
Non-current				61,416
As of January 1, 2017				<u>74,907</u>
Repayment of long-term borrowings:				
	Export Kreditnamnden	1.70%	Apr. 29, 2022	(6,407)
Other changes(*):				<u>(4,180)</u>
Current				12,757
Non-current				51,563
As of June 30, 2017				<u>₩ 64,320</u>

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated long-term borrowings and present value discount during the six-month period ended June 30, 2017.

(2) Changes in debentures for the six-month period ended June 30, 2017 are as follows:

(In millions of won, thousands of other currencies)

	Purpose	Annual interest rate	Maturity	Face value	Book value
Current				₩ 616,014	615,377
Non-current				5,001,900	4,991,067
As of January 1, 2017				<u>5,617,914</u>	<u>5,606,444</u>
Issued during the six-month period ended June 30, 2017					
Unsecured private bonds	Refinancing fund	1.93%	Apr. 25, 2020	60,000	59,703
		2.17%	Apr. 25, 2022	120,000	119,498
		2.55%	Apr. 25, 2027	100,000	99,592
Unsecured private bonds	Operating and refinancing fund	2.65%	Apr. 25, 2032	90,000	89,663
Repayment of debenture:					
Unsecured private Swiss bonds	Operating fund	1.75%	June 12, 2017	(349,119)	(349,119)
				CHF 300,000	CHF 300,000
Other changes(*):				<u>(100,690)</u>	<u>(96,344)</u>
Current				1,260,385	1,257,637
Non-current				4,277,720	4,271,800
As of June 30, 2017				<u>₩ 5,538,105</u>	<u>5,529,437</u>

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and present value discount during the six-month period ended June 30, 2017



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For the six-month periods ended June 30, 2017 and 2016

10. Long-term Payables - Other

- (1) As of June 30, 2017 and December 31, 2016, details of long-term payables – other which consist of payables related to the acquisition of frequency usage rights are as follows (See Note 8):

(In millions of won)

	June 30, 2017	December 31, 2016
Long-term payables - other	₩ 1,710,255	2,013,122
Present value discount on long-term payables - other	(93,774)	(108,406)
	1,616,481	1,904,716
Less current installments of long-term payables - other	(299,189)	(301,773)
Carrying amount at period end	₩ 1,317,292	1,602,943

- (2) The repayment schedule of the principal amount of long-term payables - other related to acquisition of frequency usage rights as of June 30, 2017 is as follows:

(In millions of won)

	Amount
Less than 1 year	₩ 302,867
1~3 years	605,734
3~5 years	402,624
More than 5 years	399,030
	₩ 1,710,255

11. Provisions

Changes in provisions for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017					As of June 30, 2017	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for installment of handset subsidy	₩ 24,710	2	(4,902)	—	19,810	19,810	—
Provision for restoration	53,022	1,588	(400)	(232)	53,978	37,745	16,233
Emission allowance	2,788	2,401	(518)	(2,283)	2,388	2,388	—
	₩ 80,520	3,991	(5,820)	(2,515)	76,176	59,943	16,233

(In millions of won)

	For the six-month period ended June 30, 2016					As of June 30, 2016	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for installment of handset subsidy	₩ 5,670	—	(1,019)	—	4,651	1,213	3,438
Provision for restoration	50,459	2,137	(332)	(697)	51,567	28,323	23,244
Emission allowance	1,477	242	(169)	—	1,550	1,550	—
	₩ 57,606	2,379	(1,520)	(697)	57,768	31,086	26,682

The Company has provided handset subsidy to subscribers who purchase wireless telecommunication services from the Company and recognized a provision for subsidy amounts which the Company has obligations to pay in future periods.



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12. Defined Benefit Liabilities (Assets)

- (1) Details of defined benefit liabilities (assets) as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	₩ 274,065	240,289
Fair value of plan assets	(270,384)	(265,076)
	<u>₩ 3,681</u>	<u>(24,787)</u>

- (2) Changes in defined benefit obligations for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	₩ 240,289	212,139
Current service cost	19,398	18,364
Interest cost	3,212	2,731
Remeasurement:		
- Adjustment based on experience	8,045	6,816
Benefit paid	(5,599)	(3,755)
Others	8,720	3,502
Ending balance	<u>₩ 274,065</u>	<u>239,797</u>

- (3) Changes in plan assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	₩ 265,076	208,133
Interest income	3,328	2,590
Remeasurement	(361)	(5,169)
Contribution	20,000	11,000
Benefit paid	(24,034)	(3,350)
Others	6,375	2,805
Ending balance	<u>₩ 270,384</u>	<u>216,009</u>

- (4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current service cost	₩ 19,398	18,364
Net Interest cost (income)	(116)	141
	<u>₩ 19,282</u>	<u>18,505</u>



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13. Derivative Instruments

The derivative contract that matured during the six-month period ended June 30, 2017 is as follows:

(In thousands of other currencies)

<u>Borrowing date</u>	<u>Hedging Instrument (Hedged item)</u>	<u>Hedged risk</u>	<u>Financial institution</u>	<u>Duration of contract</u>
June 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds with face value of CHF 300,000)	Foreign currency risk	Citibank and four other banks	Jun. 12, 2012 ~ Jun.12, 2017

14. Share Capital and Capital Surplus and Others

The Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won, except for share data)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Number of authorized shares	220,000,000	220,000,000
Number of issued shares	80,745,711	80,745,711
Share capital:		
Common stock	₩ 44,639	44,639
Capital surplus and others:		
Paid-in surplus	2,915,887	2,915,887
Treasury shares	(2,260,626)	(2,260,626)
Hybrid bonds	398,518	398,518
Share option (Note 15)	145	—
Others	(682,298)	(682,298)
	<u>₩ 371,626</u>	<u>371,481</u>

There were no changes in share capital for the six-month periods ended June 30, 2017 and 2016 and details of shares outstanding as of June 30, 2017 and 2016 are as follows:

(In shares)

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Issued shares</u>	<u>Treasury stock</u>	<u>Outstanding shares</u>	<u>Issued shares</u>	<u>Treasury stock</u>	<u>Outstanding shares</u>
Issued shares	80,745,711	10,136,551	70,609,160	80,745,711	10,136,551	70,609,160



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15. Share option

- (1) At the shareholders' meeting held on March 24, 2017, the Company established a share option program that entitles key management personnel the option to purchase common shares in the Company. The terms and conditions related to the grants of the share options granted under the share option program are as follows:

	1-1	1-2	1-3
Grant date	March 24, 2017		
Types of shares to be issued	66,504 of registered common shares		
Grant method	Reissue of treasury shares		
Number of shares (in shares)	22,168	22,168	22,168
Exercise price (in won)	246,750	266,490	287,810
Exercise period	Mar. 25, 2019 ~ Mar. 24, 2022	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 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) Share compensation expense recognized during the six-month period ended June 30, 2017 and the remaining share compensation expense to be recognized in subsequent periods are as follows:

<i>(In millions of won)</i>	Share compensation expense
During the six-month period ended June 30, 2017	₩ 145
In subsequent periods	1,246
	<u>₩ 1,391</u>

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Estimated option's life	5 years	6 years	7 years
Share price (Closing price on the preceding day in won)	262,500	262,500	262,500
Expected volatility	13.38%	13.38%	13.38%
Expected dividends	3.80%	3.80%	3.80%
Exercise price (in won)	246,750	266,490	287,810
Fair value per share (in won)	27,015	20,240	15,480



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16. Retained Earnings

Retained earnings as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Appropriated:		
Legal reserve	₩ 22,320	22,320
Reserve for research & manpower development	—	60,001
Reserve for business expansion	10,171,138	9,871,138
Reserve for technology development	3,071,300	2,826,300
	<u>13,264,758</u>	<u>12,779,759</u>
Unappropriated	689,851	1,122,868
	<u>₩13,954,609</u>	<u>13,902,627</u>

17. Reserves

(1) Details of reserves, net of taxes, as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Valuation gain on available-for-sale financial assets	₩ 128,310	28,963
Valuation loss on derivatives	(84,952)	(90,756)
	<u>₩ 43,358</u>	<u>(61,793)</u>

(2) Changes in reserves for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended June 30, 2017</u>		
	<u>Valuation gain on available-for- sale financial assets</u>	<u>Valuation loss on derivatives</u>	<u>Total</u>
Balance at January 1, 2017	₩ 28,963	(90,756)	(61,793)
Changes, net of taxes	99,347	5,804	105,151
Balance at June 30, 2017	<u>₩ 128,310</u>	<u>(84,952)</u>	<u>43,358</u>

(In millions of won)

	<u>For the six-month period ended June 30, 2016</u>		
	<u>Valuation gain on available-for- sale financial assets</u>	<u>Valuation loss on derivatives</u>	<u>Total</u>
Balance at January 1, 2016	₩ 23,578	(76,806)	(53,228)
Changes, net of taxes	15,802	(7,841)	7,961
Balance at June 30, 2016	<u>₩ 39,380</u>	<u>(84,647)</u>	<u>(45,267)</u>



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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

18. Other Operating Expenses

Details of other operating expenses for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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 Operating Expenses:				
Communication	₩ 6,121	12,488	7,542	15,542
Utilities	49,921	106,516	46,779	100,397
Taxes and dues	2,802	7,274	4,329	9,307
Repair	56,215	106,772	55,236	101,860
Research and development	73,490	144,739	66,349	133,518
Training	4,447	9,330	4,931	9,991
Bad debt for accounts receivable - trade	7,107	8,352	9,158	11,724
Other	7,594	18,888	9,741	23,010
	<u>₩ 207,697</u>	<u>414,359</u>	<u>204,065</u>	<u>405,349</u>

19. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 552	4,564	435	870
Others	2,112	4,756	7,994	36,458
	<u>₩ 2,664</u>	<u>9,320</u>	<u>8,429</u>	<u>37,328</u>
Other Non-operating Expenses:				
Loss on disposal of property and equipment and intangible assets	₩ 1,895	3,655	2,628	9,970
Donations	18,568	30,694	11,447	40,647
Bad debt for accounts receivable - other	—	2,177	3,413	3,413
Others	1,387	2,932	1,282	1,793
	<u>₩ 21,850</u>	<u>39,458</u>	<u>18,770</u>	<u>55,823</u>



SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2017 and 2016

20. Finance Income and Costs

(1) Details of finance income and costs for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 9,089	29,397	5,839	12,218
Gain on sale of accounts receivable - trade	4,065	9,090	5,191	7,855
Dividends	1,612	99,423	6,082	96,433
Gain on foreign currency transactions	4,236	5,439	816	5,601
Gain on foreign currency translations	1,432	184	531	111
Gain relating to financial liabilities at fair value through profit or loss	—	—	403	177
Gain relating to financial assets at fair value through profit or loss	—	465	148	—
Gain on disposal of long-term investment securities	91	2,358	1,141	1,751
Gain on valuation of derivatives	476	831	463	3,684
	<u>₩ 21,001</u>	<u>147,187</u>	<u>20,614</u>	<u>127,830</u>

(In millions of won)

	2017		2016	
	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 Costs:				
Interest expenses	₩ 61,946	123,597	57,235	116,707
Loss on foreign currency transactions	3,362	6,443	2,850	5,040
Loss on foreign currency translations	—	490	—	340
Loss on disposal of long-term investment securities	507	556	—	44
Loss on settlement of derivatives	8,910	8,910	319	319
Loss relating to financial assets at fair value through profit or loss	605	—	—	378
Loss relating to financial liabilities at fair value through profit or loss	198	529	—	—
Others	—	—	—	815
	<u>₩ 75,528</u>	<u>140,525</u>	<u>60,404</u>	<u>123,643</u>



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

20. Finance Income and Costs, Continued

- (2) Details of interest income included in finance income for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 4,457	7,465	1,914	3,750
Interest income on installment receivables and others	4,632	21,932	3,925	8,468
	₩ 9,089	29,397	5,839	12,218

- (3) Details of interest expenses included in finance costs for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 2,578	3,982	1,767	3,271
Interest expenses on debentures	45,654	90,033	48,051	97,254
Others	13,714	29,582	7,417	16,182
	₩ 61,946	123,597	57,235	116,707

- (4) Details of impairment losses on financial assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 7,107	8,352	9,158	11,724
Other receivables	—	2,177	3,413	3,413
Available-for-sale financial assets	—	—	—	815
	₩ 7,107	10,529	12,571	15,952

21. Income Tax Expense

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



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

22. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the six-month periods ended June 30, 2017 and 2016 are calculated as follows:

(In millions of won, shares)

	2017		2016	
	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	₩ 314,050	702,256	284,143	666,350
Interest on hybrid bond	(8,420)	(8,420)	(8,420)	(8,420)
Profit for the period available for common shares	305,630	693,836	275,723	657,930
Weighted average number of common shares outstanding	70,609,160	70,609,160	70,609,160	70,609,160
Basic earnings per share (in won)	₩ 4,328	9,826	3,905	9,318

- 2) The weighted average number of common shares outstanding for the six-month periods ended June 30, 2017 and 2016 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, 2017	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, 2017	70,609,160	70,609,160	70,609,160

(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, 2016	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, 2016	70,609,160	70,609,160	70,609,160

(2) Diluted earnings per share

For the six-month periods ended June 30, 2017 and 2016, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.



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For the six-month periods ended June 30, 2017 and 2016

23. Categories of Financial Instruments

(1) Financial assets by category as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instrument	Total
Cash and cash equivalents	₩ —	—	715,610	—	715,610
Financial instruments	—	—	114,382	—	114,382
Short-term investment securities	—	47,407	—	—	47,407
Long-term investment securities(*1)	7,824	686,992	—	—	694,816
Accounts receivable - trade	—	—	1,603,693	—	1,603,693
Loans and other receivables(*2)	—	—	1,089,644	—	1,089,644
Derivative financial assets	8,199	—	—	69,617	77,816
	<u>₩ 16,023</u>	<u>734,399</u>	<u>3,523,329</u>	<u>69,617</u>	<u>4,343,368</u>

(In millions of won)

	December 31, 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instrument	Total
Cash and cash equivalents	₩ —	—	874,350	—	874,350
Financial instruments	—	—	95,102	—	95,102
Short-term investment securities	—	97,340	—	—	97,340
Long-term investment securities(*1)	7,359	553,607	—	—	560,966
Accounts receivable - trade	—	—	1,594,504	—	1,594,504
Loans and other receivables(*2)	—	—	1,158,759	—	1,158,759
Derivative financial assets	7,368	—	—	169,097	176,465
	<u>₩ 14,727</u>	<u>650,947</u>	<u>3,722,715</u>	<u>169,097</u>	<u>4,557,486</u>

(*1) Long-term investment securities were designated as financial assets at fair value through profit or loss since the fair value of embedded derivative (conversion right) could not be separately measured.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

23. Categories of Financial Instruments, Continued

(1) Financial assets by category as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(*2) Details of loans and other receivables as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Short-term loans	₩ 66,396	54,143
Accounts receivable – other	739,638	772,570
Accrued income	847	460
Long-term loans	8,911	11,160
Long-term accounts receivable – other	104,859	147,139
Guarantee deposits	168,993	173,287
	<u>₩1,089,644</u>	<u>1,158,759</u>

(2) Financial liabilities by category as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivatives designated as hedging instrument	Total
Derivative financial liabilities	₩ —	—	70,495	70,495
Borrowings	—	64,320	—	64,320
Debentures (*1)	60,129	5,469,308	—	5,529,437
Accounts payable - other and others (*2)	—	3,167,110	—	3,167,110
	<u>₩ 60,129</u>	<u>8,700,738</u>	<u>70,495</u>	<u>8,831,362</u>

(In millions of won)

	December 31, 2016			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivatives designated as hedging instrument	Total
Derivative financial liabilities	₩ —	—	86,950	86,950
Borrowings	—	74,907	—	74,907
Debentures (*1)	59,600	5,546,844	—	5,606,444
Accounts payable - other and others (*2)	—	4,150,132	—	4,150,132
	<u>₩ 59,600</u>	<u>9,771,883</u>	<u>86,950</u>	<u>9,918,433</u>

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2017 and December 31, 2016 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to eliminate a measurement inconsistency with the related derivatives.



SK TELECOM CO., LTD.

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23. Categories of Financial Instruments, Continued

(2) Financial liabilities by category as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(*2) Details of accounts payable – other and others as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Accounts payable - other	₩ 883,330	1,546,252
Withholdings	40	40
Accrued expenses	635,749	663,918
Current portion of long-term payables - other	299,189	301,773
Long-term payables - other	1,317,292	1,602,943
Other non-current liabilities	31,510	35,206
	<u>₩ 3,167,110</u>	<u>4,150,132</u>

24. 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, interest rates and equity prices. 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, available-for-sale financial assets, and accounts receivable - trade and other. Financial liabilities consist of accounts payable - trade and other, borrowings, and debentures.

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, 2017 are as follows:

(In millions of won, thousands of foreign currencies)

	<u>Assets</u>		<u>Liabilities</u>	
	<u>Foreign currencies</u>	<u>Won equivalent</u>	<u>Foreign currencies</u>	<u>Won equivalent</u>
USD	59,339	₩ 67,622	1,452,151	₩ 1,654,617
EUR	23,677	30,875	37	49
JPY	19,400	197	—	—
AUD	—	—	299,796	262,486
Others	—	845	—	—
		<u>₩ 99,539</u>		<u>₩ 1,917,152</u>



SK TELECOM CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. Financial risk management, Continued

(1) Market risk, Continued

i) Currency risk, Continued

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 13)

As of June 30, 2017, 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)

	<u>If increased by 10%</u>	<u>If decreased by 10%</u>
USD	₩ 6,485	(6,485)
EUR	3,083	(3,083)
JPY	20	(20)
Others	85	(85)
	<u>₩ 9,673</u>	<u>(9,673)</u>

(ii) Equity price risk

The Company has listed and non-listed equity securities for its liquidity management and operating purpose. As of June 30, 2017, available-for-sale equity instruments measured at fair value amount to ₩602,824 million.

(iii) Interest rate risk

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

The Company performs various analysis of interest rate risk 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, 2017, floating-rate debentures amount to ₩341,880 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, 2017 would not have been affected by the changes in interest rates of floating-rate borrowings and debentures.



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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

The maximum credit exposure as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Cash and cash equivalents	₩ 715,561	874,310
Financial instruments	114,382	95,102
Available-for-sale financial assets	2,930	2,930
Accounts receivable – trade	1,603,693	1,594,504
Loans and other receivables	1,089,644	1,158,759
Derivative financial assets	77,816	176,465
Financial assets at fair value through profit or loss	7,824	7,359
	<u>₩ 3,611,850</u>	<u>3,909,429</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her 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 an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. 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 have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment 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, 2017.

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 active operating activities.

Contractual maturities of financial liabilities as of June 30, 2017 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings(*)	₩ 64,320	69,254	14,325	54,929	—
Debentures(*)	5,529,437	6,633,413	1,427,991	2,227,837	2,977,585
Accounts payable - other and others	3,167,110	3,345,903	1,841,430	1,094,295	410,178
	<u>₩ 8,760,867</u>	<u>10,048,570</u>	<u>3,283,746</u>	<u>3,377,061</u>	<u>3,387,763</u>



SK TELECOM CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. Financial Risk Management, Continued

- (1) Financial risk management, Continued
- 3) Liquidity risk, Continued

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

(*) Includes interest payables.

As of June 30, 2017, 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	₩ 69,617	69,383	23,448	45,118	817
Liabilities	(70,495)	(70,914)	(70,914)	—	—
	₩ (878)	(1,531)	(47,466)	45,118	817

(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 strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2016.

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

Debt-equity ratio as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Total liabilities	₩ 9,991,214	11,191,620
Total equity	14,414,232	14,256,954
Debt-equity ratios	69.31%	78.50%



SK TELECOM CO., LTD.
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For the six-month periods ended June 30, 2017 and 2016

24. Financial Risk Management, Continued

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2017 are as follows:

(In millions of won)

	June 30, 2017				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
Financial assets at fair value through profit or loss	₩ 16,023	—	8,199	7,824	16,023
Derivative financial assets	69,617	—	69,617	—	69,617
Available-for-sale financial assets	602,824	552,486	47,407	2,931	602,824
	<u>₩ 688,464</u>	<u>552,486</u>	<u>125,223</u>	<u>10,755</u>	<u>688,464</u>
Financial liabilities that are measured at fair value:					
Financial liabilities at fair value through profit or loss	₩ 60,129	—	60,129	—	60,129
Derivative financial liabilities	70,495	—	70,495	—	70,495
	<u>₩ 130,624</u>	<u>—</u>	<u>130,624</u>	<u>—</u>	<u>130,624</u>
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 64,320	—	65,597	—	65,597
Debentures	5,469,308	—	5,853,193	—	5,853,193
Long-term payables - other	1,616,481	—	1,749,088	—	1,749,088
	<u>₩ 7,150,109</u>	<u>—</u>	<u>7,667,878</u>	<u>—</u>	<u>7,667,878</u>



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. 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, 2016 are as follows:

(In millions of won)

	December 31, 2016				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
Financial assets at fair value through profit or loss	₩ 14,727	—	7,368	7,359	14,727
Derivative financial assets	169,097	—	169,097	—	169,097
Available-for-sale financial assets	522,491	421,846	97,340	3,305	522,491
	<u>₩ 706,315</u>	<u>421,846</u>	<u>273,805</u>	<u>10,664</u>	<u>706,315</u>
Financial liabilities that are measured at fair value:					
Financial liabilities at fair value through profit or loss	₩ 59,600	—	59,600	—	59,600
Derivative financial Liabilities	86,950	—	86,950	—	86,950
	<u>₩ 146,550</u>	<u>—</u>	<u>146,550</u>	<u>—</u>	<u>146,550</u>
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 74,907	—	76,574	—	76,574
Debentures	5,546,844	—	5,957,419	—	5,957,419
Long-term payables - other	1,904,716	—	2,082,141	—	2,082,141
	<u>₩ 7,526,467</u>	<u>—</u>	<u>8,116,134</u>	<u>—</u>	<u>8,116,134</u>

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

Available-for-sale financial assets amounting to ₩131,575 million and ₩128,456 million as of June 30, 2017 and December 31, 2016, respectively, are measured at cost in accordance with K-IFRS 1039 since they are equity instruments which do not have quoted price in an active market for the identical instruments and for which fair value cannot be reliably measured using other valuation methods.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. Financial Risk Management, Continued

(3) Fair value, Continued

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) 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. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the discounted present value methods. 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.

Interest rates used by the Company for the fair value measurement as of June 30, 2017 are as follows:

	Interest rate
Derivative instruments	1.13 ~ 1.73%
Borrowings and debentures	2.12 ~ 2.20%
Long-term payables - other	1.80 ~ 2.31%

3) There have been no transfers between Level 2 to Level 1 for the six-month period ended June 30, 2017 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2017 are as follows:

(In millions of won)

	Balance at January 1, 2017	Gain for the period	Other comprehensive loss	Balance at June 30, 2017
Financial assets at fair value through profit or loss	₩ 7,359	465	—	7,824
Available-for-sale financial assets	3,305	—	(374)	2,931



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

24. 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, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017				
	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(*)	₩ 19,189	—	19,189	(19,189)	—
Accounts receivable – trade and others	84,824	(84,118)	706	—	706
	<u>₩ 104,013</u>	<u>(84,118)</u>	<u>19,895</u>	<u>(19,189)</u>	<u>706</u>
Financial liabilities:					
Derivatives(*)	₩ 70,495	—	70,495	(19,189)	51,306
Accounts payable – other and others	84,118	(84,118)	—	—	—
	<u>₩ 154,613</u>	<u>(84,118)</u>	<u>70,495</u>	<u>(19,189)</u>	<u>51,306</u>

(In millions of won)

	December 31, 2016				
	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(*)	₩ 74,708	—	74,708	(74,708)	—
Accounts receivable – trade and others	110,762	(103,250)	7,512	—	7,512
	<u>₩ 185,470</u>	<u>(103,250)</u>	<u>82,220</u>	<u>(74,708)</u>	<u>7,512</u>
Financial liabilities:					
Derivatives(*)	₩ 86,950	—	86,950	(74,708)	12,242
Accounts payable – other and others	103,250	(103,250)	—	—	—
	<u>₩ 190,200</u>	<u>(103,250)</u>	<u>86,950</u>	<u>(74,708)</u>	<u>12,242</u>

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



SK TELECOM CO., LTD.
 Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others

- (1) List of related parties

Relationship	Company
Ultimate Controlling Entity	SK Holdings Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 38 others(*)
Joint ventures	Dogus Planet, Inc. and 5 others
Associates	SK hynix Inc. and 45 others
Others	The Ultimate Controlling Entity's subsidiaries and associates, etc.

(*) As of June 30, 2017, subsidiaries of the Company are as follows:



SK TELECOM CO., LTD.
Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

	<u>Company</u>	<u>Ownership percentage(%)(*1)</u>	<u>Types of business</u>	
Subsidiaries owned by the Company	SK Telink Co., Ltd.	85.9	Telecommunication and MVNO service	
	SK Communications Co., Ltd.(*2)	100.0	Internet website services	
	SK Broadband Co., Ltd.	100.0	Telecommunication services	
	PS&Marketing Corporation	100.0	Communications device retail business	
	SERVICEACE Co., Ltd.	100.0	Customer center management service	
	SERVICE TOP Co., Ltd.	100.0	Customer center management service	
	Network O&S Co., Ltd.	100.0	Base station maintenance service	
	SK Telecom China Holdings Co., Ltd.	100.0	Investment	
	SK Global Healthcare Business Group Ltd.	100.0	Investment	
	SKT Vietnam PTE. Ltd.	73.3	Telecommunication services	
	YTK Investment Ltd.	100.0	Investment association	
	Atlas Investment	100.0	Investment association	
	SKT Americas, Inc.	100.0	Information gathering and consulting	
	Entrix Co., Ltd.	100.0	Cloud streaming service	
	SK techx Co., Ltd.	100.0	System software development and supply	
Subsidiaries owned by SK Planet Co., Ltd.	One Store Co., Ltd.	65.5	Telecommunication services	
	SK Planet Co., Ltd.	98.1	Telecommunication services	
	IRIVER LIMITED	48.9	Manufacturing digital audio players and other portable media devices	
	SK m&service Co.,Ltd. (formerly, M&Service Co., Ltd.)	100.0	Database and internet website service	
	SK Planet Japan, K. K.	89.0	Digital contents sourcing service	
	SK Planet Global PTE. Ltd.	100.0	Digital contents sourcing service	
	SKP GLOBAL HOLDINGS PTE. LTD.	100.0	Investment	
	SKP America LLC.	100.0	Digital contents sourcing service	
	shopkick Management Company, Inc.	100.0	Investment	
	shopkick, Inc.	100.0	Reward points-based in-store shopping application development	
	Planet11 E-commerce Solutions India Pvt. Ltd.	99.0	Electronic commerce platform service	
	11street (Thailand) Co., Ltd.	100.0	Electronic commerce	
	Hello Nature Ltd.	100.0	Retail of agro-fisheries and livestock	
	Subsidiaries owned by IRIVER LIMITED	iriver Enterprise Ltd.	100.0	Management of Chinese subsidiaries
		iriver Inc.	100.0	Marketing and sales in North America
iriver China Co., Ltd.		100.0	Sales and manufacturing 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	
Subsidiaries owned by SK Telink Co., Ltd.	NSOK Co., Ltd. (formerly, Neosnetworks Co., Ltd.)(*3)	100.0	Security and maintenance services	
	K-net Culture and Contents Venture Fund	59.0	Capital investing in startups	



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(1) List of related parties, Continued

(*) As of June 30, 2017, subsidiaries of the Company are as follows, Continued:

	<u>Company</u>	<u>Ownership percentage(%)(*1)</u>	<u>Types of business</u>
Subsidiaries owned by SK Broadband Co., Ltd.	Home & Service Co., Ltd.(*4)	100.0	Operation of information and communication facility
Others(*5)	Stonebridge Cinema Fund	60.0	Capital investing in startups
	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 Parent Company or subsidiaries of the Parent Company.

(*2) On November 24, 2016, the board of directors of the Company resolved to acquire all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at ₩2,814 per share in cash. As of June 30, 2017, the Company wholly owns the SK Communications Co., Ltd.

(*3) During the six-month period ended June 30, 2017, Neosnetworks Co., Ltd. changed its name to NSOK Co., Ltd.

(*4) Home & Service Co., Ltd. was newly established by SK Boradband Co., Ltd. during the six-month period ended June 30, 2017.

(*5) Others are owned together by SK techx Co., Ltd. and three other subsidiaries of the Parent Company.

As of June 30, 2017, the Company belongs to SK Group, a conglomerate as defined in the *Monopoly Regulation and Fair Trade Act of the Republic of Korea*. All of the other entities included in SK Group are considered related parties of the Company.

(2) Compensation for the key management

The Company considers registered 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 six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	<u>Three-month period ended June 30</u>	<u>Six-month period ended June 30</u>	<u>Three-month period ended June 30</u>	<u>Six-month period ended June 30</u>
Salaries	₩ 331	1,499	221	1,201
Defined benefits plan expenses	85	92	47	328
Share option	133	145	—	—
	<u>₩ 549</u>	<u>1,736</u>	<u>268</u>	<u>1,529</u>

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



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

Scope	Company	2017					
		Operating revenue and others		Operating expenses and others		Acquisition of property and equipment	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 2,143	4,823	80,370	330,279	35,924	61,010
Subsidiaries	SK Broadband Co., Ltd.	28,785	56,271	132,072	277,189	2,776	2,864
	PS&Marketing Corporation(*2)	3,104	7,154	349,163	686,367	480	480
	Network O&S Co., Ltd.	1,171	1,929	56,185	108,173	1,902	4,421
	SK Planet Co., Ltd.	6,944	14,063	5,748	11,509	36	36
	SK Telink Co., Ltd.	16,105	30,578	4,566	9,051	—	—
	Service Ace Co., Ltd.	1,992	3,968	32,622	65,317	—	—
	Service Top Co., Ltd.	2,115	4,244	34,136	68,462	—	—
	SK techx Co., Ltd	295	1,078	46,335	94,097	282	282
	Others	7,388	14,159	8,079	19,842	881	935
			<u>67,899</u>	<u>133,444</u>	<u>668,906</u>	<u>1,340,007</u>	<u>6,357</u>
Associates	F&U Credit information Co., Ltd.	414	820	10,626	22,864	37	37
	HappyNarae Co., Ltd.	3	3	2,398	7,987	10,230	12,482
	SK hynix Inc.(*3)	5,849	97,369	182	213	—	—
	KEB HanaCard Co., Ltd.	4,577	9,174	3,714	7,400	43	43
	Others(*4)	1,901	2,188	4,420	25,489	151	151
		<u>12,744</u>	<u>109,554</u>	<u>21,340</u>	<u>63,953</u>	<u>10,461</u>	<u>12,713</u>
Other	SK Engineering & Construction Co., Ltd.	1,724	2,342	141	141	—	—
	SK Innovation Co., Ltd.	1,407	2,943	309	490	—	—
	SK Networks Co., Ltd.	4,527	7,313	4,146	8,260	281	281
	SK Networks service Co., Ltd.	—	—	5,974	17,819	302	302
	SK Telesys Co., Ltd.	28	83	473	719	18,843	27,563
	SK TNS Co., Ltd.	24	49	6,146	6,393	49,437	65,054
	Others	2,513	4,660	11,864	23,489	2,025	2,100
		<u>10,223</u>	<u>17,390</u>	<u>29,053</u>	<u>57,311</u>	<u>70,888</u>	<u>95,300</u>
		<u>₩ 93,009</u>	<u>265,211</u>	<u>799,669</u>	<u>1,791,550</u>	<u>123,630</u>	<u>178,041</u>

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

(*2) Operating expenses and others include ₩330,097 million paid to PS&Marketing Corporation relating to purchase of accounts receivables from the sale of handsets.

(*3) Operating revenue and others include ₩87,660 million of dividends received.

(*4) Operating revenue and others include ₩1,403 million of dividends received from Korea IT Fund.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows, Continued:

(In millions of won)

Scope	Company	2016									
		Operating revenue and others		Operating expenses and others		Acquisition of property and equipment		Loans		Collection of loans	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 3,024	5,717	101,874	370,646	7,008	12,996	—	—	—	—
Subsidiaries	SK Broadband Co., Ltd.	30,369	61,453	132,536	253,581	7,099	7,099	—	—	—	—
	PS&Marketing Corporation (*2)	2,396	5,632	378,720	756,953	349	355	—	—	—	—
	Network O&S Co., Ltd.	1,756	3,110	37,146	92,569	1,875	2,819	—	—	—	—
	SK Planet Co., Ltd.	8,213	18,438	11,478	115,465	—	331	—	—	—	—
	SK Telink Co., Ltd.(*3)	16,374	34,202	5,649	10,856	—	—	—	—	—	—
	Service Ace Co., Ltd.	1,950	3,887	33,284	67,899	—	—	—	—	—	—
	Service Top Co., Ltd.	2,168	4,384	36,159	73,278	—	—	—	—	—	—
	SK techx Co., Ltd	379	428	53,493	70,401	1,769	2,598	—	—	—	—
	Others	5,159	7,998	12,143	24,466	678	851	—	—	—	—
		<u>68,764</u>	<u>139,532</u>	<u>700,608</u>	<u>1,465,468</u>	<u>11,770</u>	<u>14,053</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Associates	F&U Credit information Co., Ltd.	410	808	8,357	20,416	—	—	—	—	—	—
	HappyNarae Co., Ltd.	18	37	2,545	3,587	3,472	3,870	—	—	—	—
	SK hynix Inc. (*4)	6,053	80,673	179	187	—	—	—	—	—	—
	KEB HanaCard Co., Ltd.	4,994	9,999	4,668	7,479	—	—	—	—	—	—
	Others(*5)	6,367	6,650	430	16,095	43	43	1,100	1,100	1,700	1,700
		<u>17,842</u>	<u>98,167</u>	<u>16,179</u>	<u>47,764</u>	<u>3,515</u>	<u>3,913</u>	<u>1,100</u>	<u>1,100</u>	<u>1,700</u>	<u>1,700</u>



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows, Continued:

(In millions of won)

Scope	Company	2016									
		Operating revenue and others		Operating expenses and others		Acquisition of property and equipment		Loans		Collection of loans	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	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	SK Engineering & Construction Co., Ltd.	1,528	2,309	396	831	645	645	—	—	—	—
	SK Innovation Co., Ltd.	1,447	4,159	183	475	—	—	—	—	—	—
	SK Networks Co., Ltd.	1,291	2,540	4,319	8,215	—	—	—	—	—	—
	SK Networks service Co., Ltd.	272	496	11,228	23,070	493	532	—	—	—	—
	SK Telesys Co., Ltd.	32	47	1,774	3,760	6,321	24,131	—	—	—	—
	SK TNS Co., Ltd.	24	42	10,515	10,515	57,865	57,865	—	—	—	—
	Others	3,551	5,022	231	9,418	1,443	2,141	—	—	—	—
		8,145	14,615	28,646	56,284	66,767	85,314	—	—	—	—
		<u>₩ 97,775</u>	<u>258,031</u>	<u>847,307</u>	<u>1,940,162</u>	<u>89,060</u>	<u>116,276</u>	<u>1,100</u>	<u>1,100</u>	<u>1,700</u>	<u>1700</u>

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

(*2) Operating expenses and others include ₩394,693 million paid to PS&Marketing Corporation relating to purchase of accounts receivables from the sale of handsets.

(*3) Operating revenue and others include ₩2,489 million of dividends received.

(*4) Operating revenue and others include ₩73,050 million of dividends received.

(*5) Operating revenue and others include ₩6,082 million of dividends received from Korea IT Fund.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(4) Account balances with related parties as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

Scope	Company	June 30, 2017		
		Accounts receivable		Accounts payable
		Loans	Accounts receivable - trade and others	Accounts payable - other and others
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩ —	737	64,445
Subsidiaries	SK Broadband Co., Ltd.	—	12,975	58,809
	PS&Marketing Corporation	—	873	130,900
	Network O&S Co., Ltd.	—	104	32,257
	SK Planet Co., Ltd.	—	3,880	27,299
	SK Telink Co., Ltd.	—	8,750	2,901
	SERVICEACE Co., Ltd.	—	—	19,055
	SERVICE TOP Co., Ltd.	—	138	19,682
	SK techx Co., Ltd.	—	162	23,013
	One Store Co., Ltd.	—	468	24,581
	Others(*1)	—	15,926	18,877
		—	43,276	357,374
Associates	HappyNarae Co., Ltd.	—	8	3,963
	SK hynix Inc.	—	6,032	119
	Wave City Development Co., Ltd.	—	38,412	—
	Daehan Kanggun BcN Co., Ltd.(*2)	22,147	—	—
	KEB HanaCard Co., Ltd.	—	1,493	6,999
	Others	813	1,588	2,933
		22,960	47,533	14,014
Other	SK Engineering and Construction Co., Ltd.	—	626	155
	SK Networks Co., Ltd.	—	2,589	1,404
	SK Networks Services Co., Ltd.	—	—	2,793
	SK Telesys Co., Ltd.	—	18	10,502
	SK Innovation Co., Ltd.	—	1,795	333
	SK TNS CO., LTD.	—	8	32,824
	Others	—	1,527	10,551
		—	6,563	58,562
		₩ 22,960	98,109	494,395

(*1) The convertible bonds amounting to ₩7,824 million are included in accounts receivable - trade and others.

(*2) As of June 30, 2017, the Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as allowances for doubtful accounts.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

25. Related Parties and Others, Continued

(4) Account balances with related parties as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(In millions of won)

Scope	Company	December 31, 2016		
		Accounts receivable		Accounts payable
		Loans	Accounts receivable - trade and others	Accounts payable - other and others
Ultimate Controlling				
Entity	SK Holdings Co., Ltd.	₩ —	1,577	68,939
Subsidiaries	SK Broadband Co., Ltd.	—	16,219	79,399
	PS&Marketing Corporation	—	228	126,178
	Network O&S Co., Ltd.	—	93	33,998
	SK Planet Co., Ltd.	—	3,950	36,462
	SK Telink Co., Ltd.	—	12,140	2,882
	SERVICE ACE Co., Ltd.	—	—	24,425
	SERVICE TOP Co., Ltd.	—	—	26,086
	SK techx Co., Ltd.	—	4,982	23,103
	One Store Co., Ltd.	—	2,265	32,450
	Others(*1)	—	16,464	23,858
		—	56,341	408,841
Associates	HappyNarae Co., Ltd.	—	—	16,570
	SK hynix Inc.	—	4,398	92
	Wave City Development Co., Ltd.	—	38,412	—
	Daehan Kanggun BcN Co., Ltd. (*2)	22,147	—	—
	KEB HanaCard Co., Ltd.	—	1,619	7,657
	Others	813	4,215	1,844
		22,960	48,644	26,163
Other	SK Engineering and Construction Co., Ltd.	—	982	4,975
	SK Networks Co., Ltd.	—	1,175	1,353
	SK Networks Services Co., Ltd.	—	11	9,882
	SK Telesys Co., Ltd.	—	20	863
	SK Innovation Co., Ltd.	—	1,114	427
	SK TNS Co., Ltd.	—	—	66,751
	Others	—	1,278	19,070
		—	4,580	103,321
		₩ 22,960	111,142	607,264

(*1) The convertible bonds amounting to ₩7,359 million are included in accounts receivable - trade and others.

(*2) As of December 31, 2016, the Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as allowances for doubtful accounts.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

26. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2017	June 30, 2016
Gain on foreign currency translations	₩ (184)	(111)
Interest income	(29,397)	(12,218)
Dividends	(99,423)	(96,433)
Gain relating to financial assets at fair value through profit or loss	(465)	—
Gain on disposal of long-term investment securities	(2,358)	(1,751)
Gain on disposal of property and equipment and intangible assets	(4,564)	(870)
Gain on valuation of derivatives	(831)	(3,684)
Gain relating to financial liabilities at fair value through profit or loss	—	(177)
Gain on sale of accounts receivable - trade	(9,090)	(7,855)
Other income	—	(567)
Loss on foreign currency translations	490	340
Bad debt for accounts receivable - trade	8,352	11,724
Bad debt for accounts receivable - other	2,177	3,413
Loss on disposal of long-term investments securities	556	44
Other finance costs	—	815
Loss relating to financial assets at fair value through profit or loss	—	378
Depreciation and amortization	1,234,386	1,146,728
Loss on disposal of property and equipment and intangible assets	3,655	9,970
Interest expenses	123,597	116,707
Loss relating to financial liabilities at fair value through profit or loss	529	—
Loss on settlement of derivatives	8,910	319
Loss relating to Investments in subsidiaries and associates	15,305	47,618
Retirement benefit expenses	19,282	18,505
Share option	145	—
Income tax expense	160,707	179,780
Other expenses	162	11,098
	<u>₩ 1,431,941</u>	<u>1,423,773</u>



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

26. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2017	June 30, 2016
Accounts receivable – trade	₩ (17,610)	4,334
Accounts receivable – other	40,005	(431,081)
Advance payments	16,066	7,770
Prepaid expenses	2,930	2,257
Inventories	150	7,297
Long-term accounts receivable - other	42,280	(45,498)
Long-term prepaid expenses	525	1,110
Guarantee deposits	7,057	1,168
Accounts payable – other	(344,948)	247,598
Advanced receipts	(5,059)	17,156
Withholdings	103,082	22,100
Deposits received	(4,283)	2,172
Accrued expenses	(51,087)	711
Unearned revenue	(349)	(9,368)
Provisions	(129)	(946)
Long-term provisions	(3,601)	—
Plan assets	4,034	(7,650)
Retirement benefit payment	(5,599)	(3,755)
Others	(30)	(72)
	<u>₩ (216,566)</u>	<u>(184,697)</u>

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2017	June 30, 2016
Decrease in accounts payable - other relating to the acquisition of property and equipment and intangible assets	(317,987)	(216,612)



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

27. 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. During the six-month period ended June 30, 2017, the Company entered into a comprehensive agreement to purchase the accounts receivables from handset sales with agents 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 ₩671,434 million as of June 30, 2017 (₩681,466 million as of December 31, 2016), 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, 2017, 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.

28. Interim dividends

On July 28, 2017, the Board of Directors of the Company resolved to pay interim cash dividends of ₩1,000 per share totaling ₩70,609 million (market dividend rate: 0.40%). The ex-dividend date was June 30, 2017 and the interim dividends are expected to be paid on or before August 28, 2017.



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SK TELECOM CO., LTD

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SK TELECOM CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2017 and 2016

(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 consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2017, the related condensed consolidated statements of income and comprehensive income for the three and six-month periods ended June 30, 2017 and 2016, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016, 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 consolidated 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 necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to issue a report on these condensed consolidated 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 statements 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 consolidated interim financial statements referred to above are not prepared fairly, in all material respects, in accordance with K-IFRS No.1034, *Interim Financial Reporting*.



Other matters

The consolidated statement of financial position of the Group as of December 31, 2016, and the related consolidated 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 22, 2017, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2016, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.
Seoul, Korea
August 4, 2017

This report is effective as of August 4, 2017, 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 consolidated 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.



SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Financial Position

As of June 30, 2017 and December 31, 2016

(In millions of won)

	Note	June 30, 2017	December 31, 2016
Assets			
Current Assets:			
Cash and cash equivalents	25,26	₩ 1,237,629	1,505,242
Short-term financial instruments	25,26,27,28	688,043	468,768
Short-term investment securities	7,25,26	47,407	107,364
Accounts receivable – trade, net	5,25,26,27	2,221,284	2,240,926
Short-term loans, net	5,25,26,27	79,507	58,979
Accounts receivable – other, net	5,25,26,27,28	991,435	1,121,444
Prepaid expenses		176,346	169,173
Short-term derivative financial assets	15,25,26	14,689	—
Inventories, net	6	263,478	259,846
Advanced payments and other	5,25,26,27	72,796	64,886
Total Current Assets		5,792,614	5,996,628
Non-Current Assets:			
Long-term financial instruments	25,26,28	1,219	937
Long-term investment securities	7,25,26	835,508	828,521
Investments in associates and joint ventures	8	8,126,310	7,404,323
Property and equipment, net	9,27,28	9,573,704	10,374,212
Goodwill		1,922,795	1,932,452
Intangible assets, net	10	3,760,024	3,776,354
Long-term loans, net	5,25,26,27	55,142	65,476
Long-term accounts receivable - other	5,25,26,28	107,441	149,669
Long-term prepaid expenses		90,445	88,130
Guarantee deposits	5,25,26,27	294,175	298,964
Long-term derivative financial assets	15,25,26	81,110	214,770
Defined benefit assets	14	164	30,247
Deferred tax assets	23	83,832	75,111
Other non-current assets	5,25,26	53,296	61,869
Total Non-Current Assets		24,985,165	25,301,035
Total Assets		₩30,777,779	31,297,663

See accompanying notes to the condensed consolidated interim financial statements.



SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2017 and December 31, 2016

(In millions of won)

	Note	June 30, 2017	December 31, 2016
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term borrowings	11,25,26	₩ 30,000	2,614
Current installments of long-term debt, net	11,25,26	1,464,924	888,467
Current installments of long-term payables - other	12,25,26	299,727	301,773
Accounts payable - trade	25,26,27	249,340	402,445
Accounts payable - other	25,26,27	1,042,869	1,767,799
Withholdings	25,26,27	1,109,551	964,084
Accrued expenses	25,26	1,146,906	1,125,816
Income tax payable	23	263,687	474,931
Unearned revenue		177,195	188,403
Provisions	13	67,110	66,227
Receipts in advance		166,634	174,588
Derivative financial liabilities	15,25,26	70,495	86,950
Other current liabilities		—	2
Total Current Liabilities		6,088,438	6,444,099
Non-Current Liabilities:			
Debentures, excluding current installments, net	11,25,26	5,699,492	6,338,930
Long-term borrowings, excluding current installments, net	11,25,26	184,855	139,716
Long-term payables - other	12,25,26	1,337,050	1,624,590
Long-term unearned revenue		2,163	2,389
Defined benefit liabilities	14	102,685	70,739
Long-term derivative financial liabilities	15,25,26	436	203
Long-term provisions	13	28,704	31,690
Deferred tax liabilities	23	612,069	479,765
Other non-current liabilities	25,26	46,676	49,112
Total Non-Current Liabilities		8,014,130	8,737,134
Total Liabilities		14,102,568	15,181,233
Shareholders' Equity			
Share capital	1,16	44,639	44,639
Capital surplus and others	16,17	192,043	199,779
Retained earnings	18	16,513,404	15,953,164
Reserves	19	(176,625)	(226,183)
Equity attributable to owners of the Parent Company		16,573,461	15,971,399
Non-controlling interests		101,750	145,031
Total Shareholders' Equity		16,675,211	16,116,430
Total Liabilities and Shareholders' Equity		₩ 30,777,779	31,297,663

See accompanying notes to the condensed consolidated interim financial statements.



SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Income

For the three and six-month periods ended June 30, 2017 and 2016

(In millions of won except for per share data)

	Note	June 30, 2017		June 30, 2016	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Operating revenue:	4,27				
Revenue		₩4,345,593	8,579,958	4,267,289	8,495,752
Operating expenses:	27				
Labor		465,087	927,928	465,712	942,586
Commissions		1,367,292	2,730,628	1,327,035	2,650,479
Depreciation and amortization	4	766,167	1,527,883	721,250	1,436,602
Network interconnection		213,024	434,104	255,485	519,356
Leased line		83,383	171,199	108,919	210,971
Advertising		123,448	208,876	108,071	195,579
Rent		132,414	265,485	130,777	258,801
Cost of products that have been resold	445,407	847,569	451,586	878,180	
Others	20	326,105	632,518	291,090	593,707
		<u>3,922,327</u>	<u>7,746,190</u>	<u>3,859,925</u>	<u>7,686,261</u>
Operating profit	4	423,266	833,768	407,364	809,491
Finance income	4,22	27,254	75,130	22,210	376,404
Finance costs	4,22	(139,963)	(226,612)	(74,340)	(151,938)
Gains relating to investments in associates and joint ventures, net	4,8	498,289	878,250	41,899	116,808
Other non-operating income	4,21	7,167	15,436	9,625	41,324
Other non-operating expenses	4,21	(67,587)	(103,326)	(42,008)	(91,215)
Profit before income tax	4	748,426	1,472,646	364,750	1,100,874
Income tax expense	23	127,915	268,654	73,760	237,586
Profit for the period		<u>₩ 620,511</u>	<u>1,203,992</u>	<u>290,990</u>	<u>863,288</u>
Attributable to:					
Owners of the Parent Company		₩ 624,889	1,214,023	290,135	861,982
Non-controlling interests		(4,378)	(10,031)	855	1,306
Earnings per share:	24				
Basic and diluted earnings per share (in won)		<u>₩ 8,731</u>	<u>17,074</u>	<u>3,990</u>	<u>12,089</u>

See accompanying notes to the condensed consolidated interim financial statements



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SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2017 and 2016

(In millions of won)

	Note	June 30, 2017		June 30, 2016	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Profit for the period		₩ 620,511	1,203,992	290,990	863,288
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss, net of taxes:					
Remeasurement of defined benefit liabilities	14	1,409	(9,878)	(9,025)	(11,636)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:					
Net change in unrealized fair value of available-for-sale financial assets	19	82,782	131,987	(39,172)	(190,549)
Net change in other comprehensive income of investments in associates and joint ventures	8,19	41,088	(61,279)	(24,475)	(31,154)
Net change in unrealized fair value of derivatives	15,19	14,694	5,924	5,460	(5,929)
Foreign currency translations differences for foreign operations	19	10,036	(26,828)	6,250	(13,889)
Other comprehensive income (loss) for the period, net of taxes		150,009	39,926	(60,962)	(253,157)
Total comprehensive income		₩ 770,520	1,243,918	230,028	610,131
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		₩ 774,020	1,253,700	229,285	608,770
Non-controlling interests		(3,500)	(9,782)	743	1,361

See accompanying notes to the condensed consolidated interim financial statements.



SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2017 and 2016

(In millions of won)

	Note	Controlling Interest				Total	Non-controlling interests	Total equity
		Share capital	Capital surplus and others	Retained earnings	Reserves			
Balance, January 1, 2016		₩ 44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096
Total comprehensive income:								
Profit for the period		—	—	861,982	—	861,982	1,306	863,288
Other comprehensive income (loss)	8, 14, 15, 19	—	—	(11,504)	(241,708)	(253,212)	55	(253,157)
		—	—	850,478	(241,708)	608,770	1,361	610,131
Transactions with owners:								
Cash dividends		—	—	(635,482)	—	(635,482)	(300)	(635,782)
Interest on hybrid bond		—	—	(8,420)	—	(8,420)	—	(8,420)
Changes in ownership in subsidiaries		—	2,174	—	—	2,174	25,294	27,468
		—	2,174	(643,902)	—	(641,728)	24,994	(616,734)
Balance, June 30, 2016		₩ 44,639	191,684	15,214,203	(232,405)	15,218,121	149,372	15,367,493
Balance, January 1, 2017		₩ 44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
Total comprehensive income:								
Profit for the period		—	—	1,214,023	—	1,214,023	(10,031)	1,203,992
Other comprehensive income (loss)	8, 14, 15, 19	—	—	(9,881)	49,558	39,677	249	39,926
		—	—	1,204,142	49,558	1,253,700	(9,782)	1,243,918
Transactions with owners:								
Cash dividends		—	—	(635,482)	—	(635,482)	(281)	(635,763)
Interest on hybrid bond		—	—	(8,420)	—	(8,420)	—	(8,420)
Share option		—	145	—	—	145	—	145
Changes in ownership in subsidiaries		—	(7,881)	—	—	(7,881)	(33,218)	(41,099)
		—	(7,736)	(643,902)	—	(651,638)	(33,499)	(685,137)
Balance, June 30, 2017		₩ 44,639	192,043	16,513,404	(176,625)	16,573,461	101,750	16,675,211

See accompanying notes to the condensed consolidated interim financial statements.

SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2017 and 2016

(In millions of won)

	Note	June 30, 2017	June 30, 2016
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period		₩ 1,203,992	863,288
Adjustments for income and expenses	29	1,233,560	1,525,247
Changes in assets and liabilities related to operating activities	29	(244,788)	(306,453)
Sub-total		2,192,764	2,082,082
Interest received		34,612	23,107
Dividends received		100,642	93,948
Interest paid		(118,581)	(131,354)
Income tax paid		(396,734)	(245,488)
Net cash provided by operating activities		1,812,703	1,822,295
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term financial instrument, net		—	145,880
Decrease in short-term investment securities, net		60,025	—
Collection of short-term loans		100,456	90,162
Decrease in long-term financial instruments		1	27
Proceeds from disposal of long-term investment securities		125,413	225,531
Proceeds from disposal of investments in associates and joint ventures		3,941	10,769
Proceeds from disposal of property and equipment		14,484	8,878
Proceeds from disposal of intangible assets		4,113	5,666
Collection of long-term loans		1,551	708
Decrease in deposits		6,370	12,823
Proceeds from disposal of other non-current assets		315	—
Sub-total		316,669	500,444
Cash outflows for investing activities:			
Increase in short-term financial instruments, net		(219,275)	—
Increase in short-term investment securities, net		—	(297,150)
Increase in short-term loans		(109,242)	(102,342)
Increase in long-term loans		(2,894)	(2,667)
Increase in long-term financial instruments		(2,030)	(197)
Acquisition of long-term investment securities		(9,225)	(20,093)
Acquisition of investments in associates and joint ventures		(7)	(55,462)
Acquisition of property and equipment		(1,103,160)	(842,174)
Acquisition of intangible assets		(55,761)	(45,862)
Increase in deposits		(9,459)	(11,173)
Acquisition of businesses, net of cash acquired		—	(4,498)
Sub-total		(1,511,053)	(1,381,618)
Net cash used in investing activities		₩(1,194,384)	(881,174)

See accompanying notes to the condensed consolidated interim financial statements.



SK TELECOM CO., LTD. and Subsidiaries
Condensed Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2017 and 2016

(In millions of won)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from financing activities:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings, net	₩ 27,386	—
Proceeds from issuance of debentures	517,804	607,474
Proceeds from long-term borrowings	70,000	—
Cash received from transfer of interests in subsidiaries to non-controlling interests	—	24,449
Sub-total	<u>615,190</u>	<u>631,923</u>
Cash outflows for financing activities:		
Decrease in short-term borrowings, net	—	(175,000)
Repayments of long-term payables - other	(304,160)	(121,565)
Repayments of debentures	(469,119)	(280,000)
Repayments of long-term borrowings	(16,507)	(20,464)
Cash outflows from settlement of derivatives	(22,883)	—
Payments of finance lease liabilities	—	(26)
Payments of dividends	(635,482)	(635,482)
Payments of interest on hybrid bond	(8,420)	(8,420)
Acquisitions of additional interests in subsidiaries	(41,368)	—
Sub-total	<u>(1,497,939)</u>	<u>(1,240,957)</u>
Net cash used in financing activities	<u>(882,749)</u>	<u>(609,034)</u>
Net increase (decrease) in cash and cash equivalents	<u>(264,430)</u>	<u>332,087</u>
Cash and cash equivalents at beginning of the period	1,505,242	768,922
Effects of exchange rate changes on cash and cash equivalents	(3,183)	(1,448)
Cash and cash equivalents at end of the period	<u>₩ 1,237,629</u>	<u>1,099,561</u>

See accompanying notes to the condensed consolidated interim financial statements.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity

(1) General

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

The Parent 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, 2017, the Parent Company’s total issued shares are held by the following shareholders:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority shareholders	50,245,708	62.23
Treasury shares	10,136,551	12.55
	<u>80,745,711</u>	<u>100.00</u>

These condensed consolidated interim financial statements comprise the Parent Company and its subsidiaries (together referred to as the “Group” and individuals as “Group entities”). SK Holdings Co., Ltd. is the ultimate controlling entity of the Parent Company.

(2) List of subsidiaries

The list of subsidiaries as of June 30, 2017 and December 31, 2016 is as follows:

	Subsidiary	Location	Primary business	Ownership (%)(*1)	
				June 30, 2017	Dec. 31, 2016
Subsidiaries owned by the Parent Company	SK Telink Co., Ltd.	Korea	Telecommunication and MVNO service	85.9	85.9
	SK Communications Co., Ltd.(*2)	Korea	Internet website services	100.0	64.5
	SK Broadband Co., Ltd.	Korea	Telecommunication services	100.0	100.0
	PS&Marketing Corporation	Korea	Communications device retail business	100.0	100.0
	SERVICEACE Co., Ltd.	Korea	Customer center management service	100.0	100.0
	SERVICE TOP Co., Ltd.	Korea	Customer center management service	100.0	100.0
	Network O&S Co., Ltd.	Korea	Base station maintenance service	100.0	100.0
	SK Planet Co., Ltd.	Korea	Telecommunication service	98.1	98.1
	IRIVER LIMITED (*3)	Korea	Manufacturing digital audio players and other portable media devices.	48.9	48.9
	SK Telecom China Holdings Co., Ltd.	China	Investment	100.0	100.0
	SK Global Healthcare Business Group, Ltd.	Hong Kong	Investment	100.0	100.0
	SKT Vietnam PTE. Ltd.	Singapore	Telecommunication service	73.3	73.3
	SKT Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
	YTK Investment Ltd.	Cayman Islands	Investment association	100.0	100.0
	Atlas Investment	Cayman Islands	Investment association	100.0	100.0
	Entrix Co., Ltd.	Korea	Cloud streaming services	100.0	100.0
	SK techx Co., Ltd.	Korea	System software development and supply	100.0	100.0
One Store Co., Ltd.	Korea	Telecommunication services	65.5	65.5	



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of June 30, 2017 and December 31, 2016 is as follows, Continued:

	Subsidiary	Location	Primary business	Ownership (%)(*1)	
				June 30, 2017	Dec. 31, 2016
Subsidiaries owned by SK Planet Co., Ltd.	SK m&service Co.,Ltd. (formerly, M&Service Co., Ltd.)	Korea	Data base and internet website service	100.0	100.0
	SK Planet Japan, K. K.	Japan	Digital contents sourcing service	89.0	100.0
	SK Planet Global PTE. Ltd.	Singapore	Digital contents sourcing service	100.0	100.0
	SKP GLOBAL HOLDINGS PTE. LTD.	Singapore	Investment	100.0	100.0
	SKP America LLC.	USA	Digital contents sourcing service	100.0	100.0
	shopkick Management Company, Inc.	USA	Investment	100.0	100.0
	shopkick, Inc.	USA	Reward points-based in-store shopping application development	100.0	100.0
	Planet11 E-commerce Solutions India Pvt. Ltd.	India	Electronic commerce platform service	99.0	99.0
	11street (Thailand) Co., Ltd.	Thailand	Electronic commerce	100.0	100.0
	Hello Nature Ltd.	Korea	Retail of agro-fisheries and livestock	100.0	100.0
Subsidiaries owned by IRIVER LIMITED	iriver Enterprise Ltd.	Hong Kong	Management of Chinese subsidiary	100.0	100.0
	iriver Inc.	USA	Marketing and sales in North America	100.0	100.0
	iriver China Co., Ltd.	China	Sales and manufacturing MP3 and 4	100.0	100.0
	Dongguan iriver Electronics Co., Ltd.	China	Sales and manufacturing e-book	100.0	100.0
	groovers JP Ltd.	Japan	Digital music contents sourcing and distribution service	100.0	100.0
Subsidiaries owned by SK Telink Co., Ltd.	NSOK Co., Ltd. (formerly, Neosnetworks Co., Ltd.)(*4)	Korea	Security and maintenance services	100.0	100.0
Subsidiaries owned by SK techx Co., Ltd.	K-net Culture and Contents Venture Fund	Korea	Capital investing in startups	59.0	59.0
Subsidiaries owned by SK Broadband Co., Ltd.	Home & Service Co., Ltd.(*5)	Korea	operation of information and communication facility	100.0	—
Others(*6)	Stonebridge Cinema Fund	Korea	Capital investing in startups	60.0	60.0
	SK Telecom Innovation Fund, L.P.	USA	Investment	100.0	100.0
	SK Telecom China Fund I L.P.	Cayman Islands	Investment	100.0	100.0



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

- (*1) The ownership interest represents direct ownership interest in subsidiaries either by the Parent Company or subsidiaries of the Parent Company.
- (*2) On November 24, 2016, the board of directors of the Parent Company resolved to acquire all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at ₩2,814 per share in cash. As of June 30, 2017, the Parent Company wholly owns the SK Communications Co., Ltd.
- (*3) Although the Group has less than 50% of the voting rights of IRIVER LIMITED, the Group is considered to have control over IRIVER LIMITED since the Group holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed.
- (*4) During the six-month period ended June 30, 2017, Neosnetworks Co., Ltd. changed its name to NSOK Co., Ltd.
- (*5) Home & Service Co., Ltd. was newly established by SK Boradband Co., Ltd. during the six-month period ended June 30, 2017.
- (*6) Others are owned together by SK techx Co., Ltd. and three other subsidiaries of the Parent Company.

SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

Condensed financial information of significant subsidiaries as of and for the six-month period ended June 30, 2017 is as follows:

(In millions of won)

Subsidiary	As of June 30, 2017			For the six-month period ended June 30, 2017	
	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
SK Telink Co., Ltd.	₩ 447,322	113,300	334,022	196,995	16,586
SK m&service Co.,Ltd.	100,368	49,510	50,858	89,163	347
SK Communications Co., Ltd.	122,944	28,891	94,053	25,376	(4,355)
SK Broadband Co., Ltd.	3,541,502	2,403,833	1,137,669	1,452,965	(8,740)
PS&Marketing Corporation	430,930	211,028	219,902	812,782	1,984
SERVICEACE Co., Ltd.	70,402	40,860	29,542	97,726	2,405
SERVICE TOP Co., Ltd.	52,902	31,165	21,737	89,945	2,664
Network O&S Co., Ltd.	70,806	32,983	37,823	105,668	4,029
SK Planet Co., Ltd.	1,877,268	892,416	984,852	528,624	(148,438)
IRIVER LIMITED(*)	45,542	13,511	32,031	24,387	(6,527)
SKP America LLC.	429,970	—	429,970	—	—
SK techx Co., Ltd.	217,391	35,746	181,645	98,105	20,818
One Store Co., Ltd.	119,549	36,900	82,649	57,620	(9,797)
shopkick Management Company, Inc.	349,961	—	349,961	—	(173)
shopkick, Inc.	29,304	18,969	10,335	22,660	(10,377)

(*) The condensed financial information of IRIVER LIMITED includes consolidated financial information of iriver Enterprise Ltd., iriver Inc., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd. and Groovers JP Ltd., subsidiaries of IRIVER LIMITED.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries, Continued

Condensed financial information of significant subsidiaries as of and for the year ended December 31, 2016 is as follows:

(In millions of won)

Subsidiary	As of December 31, 2016			For the year ended December 31, 2016	
	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
SK Telink Co., Ltd.	₩ 440,956	122,741	318,215	406,930	61,585
SK m&service Co.,Ltd.	107,768	56,596	51,172	173,816	4,958
SK Communications Co., Ltd.	128,233	31,592	96,641	58,154	(20,411)
SK Broadband Co., Ltd.	3,523,494	2,376,429	1,147,065	2,942,976	21,526
PS&Marketing Corporation	546,803	328,846	217,957	1,679,735	11,908
SERVICEACE Co., Ltd.	67,735	40,014	27,721	199,828	3,605
SERVICE TOP Co., Ltd.	59,004	39,121	19,883	186,740	3,971
Network O&S Co., Ltd.	69,774	35,798	33,976	218,917	3,755
SK Planet Co., Ltd.(*1)	1,935,663	834,151	1,101,512	1,177,323	(30,959)
IRIVER LIMITED(*2)	50,075	11,941	38,134	52,328	(9,987)
SKP America LLC.	439,209	—	439,209	—	1,226
SK techx Co., Ltd.	212,819	52,563	160,256	193,396	28,213
One Store Co., Ltd.	134,207	41,738	92,469	106,809	(22,161)
shopkick Management Company, Inc.	354,627	—	354,627	—	(85)
shopkick, Inc.	37,947	34,024	3,923	45,876	(27,149)

(*1) The separate financial information of SK Planet Co., Ltd. includes pre-merger income and expenses of Commerce Planet Co., Ltd. prior to the merger date of February 1, 2016.

(*2) The consolidated financial information of IRIVER LIMITED includes consolidated financial information of iriver Enterprise Ltd., iriver America Inc., iriver Inc., iriver China Co., Ltd., Dongguan iriver Electronics Co., Ltd. and groovers Japan Co., Ltd., subsidiaries of IRIVER LIMITED.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

- (4) The financial information of significant non-controlling interests of the Group as of and for the six-month period ended June 30, 2017, and as of and for the year ended December 31, 2016 are as follows. There were no dividends paid during the six-month period ended June 30, 2017 and the year ended December 31, 2016 by subsidiaries of which non-controlling interests are significant.

(In millions of won)

	One Store Co., Ltd.	
Ownership of non-controlling interests (%)		34.46
	As of June 30, 2017	
Current assets	₩	81,049
Non-current assets		38,500
Current liabilities		(35,654)
Non-current liabilities		(1,246)
Net assets		82,649
Carrying amount of non-controlling interests		28,481
	For the six-month period ended June, 30 2017	
Revenue	₩	57,620
Loss for the period		9,797
Total comprehensive loss		9,820
Loss attributable to non-controlling interests		3,376
Net cash provided by operating activities	₩	5,964
Net cash provided by investing activities		6,351
Net cash used in financing activities		(3)
Net increase in cash and cash equivalents		12,312

SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

1. Reporting Entity, Continued

- (4) The information of significant non-controlling interests of the Group as of and for the six-month period ended June 30, 2017, and as of and for the year ended December 31, 2016 are as follows. There were no dividends paid during the six-month period ended June 30, 2017 and the year ended December 31, 2016 by subsidiaries of which non-controlling interests are significant, Continued.

(In millions of won)

	<u>SK Communications Co., Ltd.</u>	<u>One Store Co., Ltd.</u>
Ownership of non-controlling interests (%)	35.46	34.46
As of December 31, 2016		
Current assets	₩ 81,806	90,414
Non-current assets	46,427	43,793
Current liabilities	(30,098)	(40,969)
Non-current liabilities	(1,494)	(769)
Net assets	96,641	92,469
Carrying amount of non-controlling interests	34,265	31,863
2016		
Revenue	₩ 58,154	106,809
Loss for the year	20,411	22,161
Total comprehensive loss	20,841	22,402
Loss attributable to non-controlling interests	7,240	6,772
Net cash used in operating activities	₩ (4,891)	(4,447)
Net cash provided by(used in) investing activities	3,625	(20,796)
Net cash provided by financing activities	—	51,426
Net increase(decrease) in cash and cash equivalents	(1,266)	26,183



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

2. Basis of Preparation

(1) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audits of Stock Companies.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Group’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 Group since December 31, 2016. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

1) Critical judgments, assumptions and estimation uncertainties

The preparation of the condensed consolidated 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 consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2016.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

2. Basis of Preparation, Continued

(2) Use of estimates and judgments, Continued

2) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has established policies and processes with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the finance executives.

The valuation team 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 valuation team 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 Group 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 Group 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 is included in Note 26.



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SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

3. Significant Accounting Policies

The significant accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2016. In addition, the following new standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Group has not early adopted the following new standards in preparing these condensed consolidated interim financial statements.

(1) K-IFRS No. 1109, *Financial Instruments*

The Group currently plans to apply K-IFRS No.1109 in the period beginning on January 1, 2018 and to assess the financial impact on its consolidated financial statements resulting from the adoption of K-IFRS No. 1109 by December 31, 2017. The assessment results will be disclosed in its annual consolidated financial statements for the year ending December 31, 2017. As of June 30, 2017, there have been no material changes related to the Group's plan for the adoption of K-IFRS No. 1109 which was disclosed in the Group's consolidated financial statements as of December 31, 2016.

(2) K-IFRS No. 1115, *Revenue from Contracts with Customers*

The Group currently plans to apply K-IFRS No.1115 in the period beginning on January 1, 2018 and to assess the financial impact on its consolidated financial statements resulting from the adoption of K-IFRS No. 1115 by December 31, 2017. The assessment results will be disclosed in its annual consolidated financial statements for the year ending December 31, 2017. As of June 30, 2017, there have been no material changes related to the Group's plan for the adoption of K-IFRS No. 1115 which was disclosed in the Group's consolidated financial statements as of December 31, 2016.

SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

4. Operating Segments

The Group's operating segments have been identified to be each business unit, by which the Group provides independent services and merchandise. The Group's reportable segments are cellular services, which include cellular voice service, wireless data service and wireless internet services; fixed-line telecommunication services, which include telephone services, internet services, and leased line services; e-commerce services, which include online commerce services; and all other businesses, which include the Group's internet portal services and other immaterial operations, each of which does not meet the quantitative threshold to be considered as a reportable segment and are presented collectively as others. From the annual period ended December 31, 2016, the Group separately reported information about the e-commerce services operating segment as a reportable segment due to the significance of its reported segment results. Segment information for the six-month period ended June 30, 2016 has been recasted to separately present e-commerce services segment information which was previously included in "other" segment.

(1) Segment information for the six-month period ended June 30, 2017 are as follows:

*(In millions of won)***For the six-month period ended June 30, 2017**

	<u>Cellular Services</u>	<u>Fixed-line telecommu- nication services</u>	<u>E-commerce Services</u>	<u>Others</u>	<u>Sub-total</u>	<u>Adjustments</u>	<u>Total</u>
Total revenue	₩ 7,303,708	1,649,960	528,624	367,599	9,849,891	(1,269,933)	8,579,958
Inter-segment revenue	791,083	319,947	19,340	139,563	1,269,933	(1,269,933)	—
External revenue	6,512,625	1,330,013	509,284	228,036	8,579,958	—	8,579,958
Depreciation and amortization	1,181,795	289,282	27,682	29,124	1,527,883	—	1,527,883
Operating profit (loss)	915,836	79,218	(121,577)	(39,709)	833,768	—	833,768
Finance income and costs, net							(151,482)
Gain relating to investments in associates and joint ventures, net							878,250
Other non-operating income and expense, net							(87,890)
Profit before income tax							1,472,646



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

4. Operating Segments, Continued

(2) Segment information for the six-month period ended June 30, 2016 are as follows:

(In millions of won)

For the six-month period ended June 30, 2016

	Cellular Services	Fixed-line telecommu- nication services	E-commerce Services	Others	Sub-total	Adjustments	Total
Total revenue	₩ 7,292,918	1,629,570	616,565	311,947	9,851,000	(1,355,248)	8,495,752
Inter-segment revenue	793,473	299,906	139,433	122,436	1,355,248	(1,355,248)	—
External revenue	6,499,445	1,329,664	477,132	189,511	8,495,752	—	8,495,752
Depreciation and amortization	1,100,243	272,026	37,480	26,853	1,436,602	—	1,436,602
Operating profit (loss)	920,427	64,388	(149,914)	(25,410)	809,491	—	809,491
Finance income and costs, net							224,466
Gain relating to investments in associates and joint ventures, net							116,808
Other non-operating income and expense, net							(49,891)
Profit before income tax							1,100,874

Since there are no intersegment sales of inventory or depreciable assets, there is no unrealized intersegment profit to be eliminated on consolidation. The Group principally operates its businesses in Korea and the revenue amounts earned outside of Korea are immaterial. Therefore, no entity-wide geographical information is presented.

No single customer contributed 10% or more to the Group's total revenue for the six-month periods ended June 30, 2017 and 2016.

SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

5. Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017		
	Gross amount	Allowances for doubtful accounts	Carrying amount
Current assets:			
Accounts receivable - trade	₩ 2,463,584	(242,300)	2,221,284
Short-term loans	80,178	(671)	79,507
Accounts receivable - other	1,067,586	(76,151)	991,435
Accrued income	4,079	—	4,079
Others	7,371	—	7,371
	<u>3,622,798</u>	<u>(319,122)</u>	<u>3,303,676</u>
Non-current assets:			
Long-term loans	102,505	(47,363)	55,142
Long-term accounts receivable - other	107,441	—	107,441
Guarantee deposits	294,175	—	294,175
Long-term accounts receivable - trade	16,028	(224)	15,804
	<u>520,149</u>	<u>(47,587)</u>	<u>472,562</u>
	<u>₩ 4,142,947</u>	<u>(366,709)</u>	<u>3,776,238</u>

(In millions of won)

	December 31, 2016		
	Gross amount	Allowances for doubtful accounts	Carrying amount
Current assets:			
Accounts receivable – trade	₩ 2,482,502	(241,576)	2,240,926
Short-term loans	59,526	(547)	58,979
Accounts receivable – other	1,200,421	(78,977)	1,121,444
Accrued income	2,780	—	2,780
Others	3,937	—	3,937
	<u>3,749,166</u>	<u>(321,100)</u>	<u>3,428,066</u>
Non-current assets:			
Long-term loans	113,456	(47,980)	65,476
Long-term accounts receivable - other	149,669	—	149,669
Guarantee deposits	298,964	—	298,964
Long-term accounts receivable - trade	20,637	(252)	20,385
	<u>582,726</u>	<u>(48,232)</u>	<u>534,494</u>
	<u>₩ 4,331,892</u>	<u>(369,332)</u>	<u>3,962,560</u>



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

5. Trade and Other Receivables, Continued

(2) Changes in the allowances for doubtful accounts during the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2017	June 30, 2016
Balance at January 1	₩ 369,332	344,016
Bad debt expense	20,621	26,052
Write-offs	(37,882)	(29,775)
Others	14,638	16,339
Balance at June 30	₩ 366,709	356,632

6. Inventories

Details of inventories as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017			December 31, 2016		
	Acquisition cost	Write-down	Carrying amount	Acquisition cost	Write-down	Carrying amount
Merchandise	₩ 241,030	(5,455)	235,575	232,871	(6,913)	225,958
Finished goods	2,076	(346)	1,730	1,931	(363)	1,568
Work in process	2,696	(436)	2,260	2,895	(347)	2,548
Raw materials and supplies	25,415	(1,502)	23,913	31,141	(1,369)	29,772
	₩ 271,217	(7,739)	263,478	268,838	(8,992)	259,846

7. Investment Securities

(1) Details of short-term investment securities as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Beneficiary certificates	₩ 47,407	107,364



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

7. Investment Securities, Continued

(2) Details of long-term investment securities as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Equity securities:		
Marketable equity securities(*)	₩ 552,486	526,363
Unlisted equity securities	94,504	95,300
Equity investments	181,260	200,103
	<u>828,250</u>	<u>821,766</u>
Debt securities:		
Investment bonds	7,258	6,755
	<u>₩ 835,508</u>	<u>828,521</u>

(*) During the six-month period ended June 30, 2016, the Group sold 3,793,756 shares of Loen Entertainment, Inc. to Kakao Corp. in exchange for 1,357,367 shares of Kakao Corp. and ₩218,037 million in cash. In connection with the sale of Loen Entertainment shares, the Group recognized gain on disposal of long-term investment securities amounting to ₩314,745 million.

In addition, the Group sold 1,357,367 shares of Kakao Corp. in exchange for ₩112,649 million in cash during the six-month period ended June 30, 2017. In connection with the sale of Kakao Corp. shares, the Group recognized loss on disposal of long-term investment securities amounting to ₩35,468 million.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

8. Investments in Associates and Joint Ventures

- (1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	Country	June 30, 2017		December 31, 2016	
		Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Investments in associates:					
SK China Company Ltd.(*1)	China	9.6	₩ 42,458	9.6	₩ 46,354
Korea IT Fund(*2)	Korea	63.3	257,051	63.3	263,850
KEB HanaCard Co., Ltd.(*1)	Korea	15.0	276,886	15.0	265,798
NanoEnTek, Inc.	Korea	28.5	38,735	28.5	39,514
SK Industrial Development China Co., Ltd.	Hong Kong	21.0	71,486	21.0	74,717
SK Technology Innovation Company	Cayman Islands	49.0	45,003	49.0	47,488
HappyNarae Co., Ltd.	Korea	42.5	16,432	42.5	17,236
SK hynix Inc.	Korea	20.1	6,887,107	20.1	6,132,122
SK MENA Investment B.V.	Netherlands	32.1	15,523	32.1	15,451
SKY Property Mgmt. Ltd.	Virgin Island	33.0	258,867	33.0	263,225
Xinan Tianlong Science and Technology Co., Ltd.	China	49.0	25,143	49.0	25,880
Daehan Kanggun BcN Co., Ltd. and others	—	—	111,716	—	115,181
Sub-total			8,046,407		7,306,816
Investments in joint ventures:					
Dogus Planet, Inc.(*3)	Turkey	50.0	18,871	50.0	20,081
PT XL Planet Digital(*3)	Indonesia	50.0	16,994	50.0	27,512
Finnq Co. Ltd.(*4)	Korea	49.0	22,887	49.0	24,174
Celcom Planet and others	—	—	21,151	—	25,740
Sub-total			79,903		97,507
Total			₩ 8,126,310		₩ 7,404,323

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

(*2) Classified as investment in associates and joint ventures as the Group does not have control over investees under the contractual agreement.

(*3) The ownership interest is owned by SK Planet Co., Ltd.

(*4) These investments were classified as investment in joint venture as the Group has joint control pursuant to the agreement with the other shareholders.



SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

8. Investments in Associates and Joint Ventures, Continued

(2) The market price of investments in listed associates as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won, except for share data)

	June 30, 2017			December 31, 2016		
	Market price per share (In won)	Number of shares	Market price	Market price per share (In won)	Number of shares	Market price
NanoEnTek, Inc.	₩ 4,830	6,960,445	33,619	5,020	6,960,445	34,941
SK hynix Inc.	67,400	146,100,000	9,847,140	44,700	146,100,000	6,530,670

(3) The financial information of significant associates as of and for the six-month period ended June 30, 2017 and as of and for the year ended December 31, 2016 are as follows:

(In millions of won)

	SK hynix Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
	As of June 30, 2017			
Current assets	₩ 12,290,962	6,594,028	176,453	126,876
Non-current assets	25,210,615	227,258	439,361	278,994
Current liabilities	5,483,352	789,783	11,585	—
Non-current liabilities	4,254,440	4,544,981	31,632	—

	For the six-month period ended June 30, 2017			
	SK hynix Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
Revenue	12,981,796	744,353	29,736	12,600
Profit for the period	4,366,516	75,053	10,826	1,991
Other comprehensive income (loss)	(203,019)	219	19,052	4,108
Total comprehensive income	4,163,497	75,272	29,878	6,099

(In millions of won)

	SK hynix Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
	As of December 31, 2016			
Current assets	₩ 9,838,982	6,868,387	181,469	166,349
Non-current assets	22,377,044	239,758	458,690	250,257
Current liabilities	4,160,849	1,219,327	12,423	—
Non-current liabilities	4,031,647	4,476,979	45,136	—

	For the year ended December 31, 2016			
	SK hynix Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
Revenue	17,197,975	1,413,077	64,894	28,839
Profit for the year	2,960,483	75,595	52,404	23,469
Other comprehensive income (loss)	28,844	(154)	(14,188)	(8,506)
Total comprehensive income	2,989,327	75,441	38,216	14,963



SK TELECOM CO., LTD. and Subsidiaries
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8. Investments in Associates and Joint Ventures, Continued

- (4) The condensed financial information of joint ventures as of and for the six-month period ended June 30, 2017 and as of and for the year ended December 31, 2016 are as follows:

(In millions of won)

	Dogus Planet, Inc.	PT XL Planet Digital As of June 30, 2017	Finnq Co. Ltd.
Current assets	₩ 38,854	8,964	45,462
Cash and cash equivalents	29,320	4,174	43,683
Non-current assets	23,921	48,422	907
Current liabilities	24,864	22,500	543
Accounts payable, other payables and provision	2,172	14,726	515
Non-current liabilities	169	898	—
	For the six-month period ended June 30, 2017		
Revenue	36,516	3,562	—
Depreciation and amortization	(2,725)	(575)	(25)
Interest income	237	94	314
Interest expense	(2)	(113)	—
Income tax benefit	—	4,936	—
Profit (loss) for the period	(1,150)	(15,072)	(2,628)
Total comprehensive income (loss)	(1,150)	(15,072)	(2,628)



SK TELECOM CO., LTD. and Subsidiaries
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8. Investments in Associates and Joint Ventures, Continued

(4) The condensed financial information of joint ventures as of and for the six-month period ended June 30, 2017 and as of and for the year ended December 31, 2016 are as follows, Continued:

(In millions of won)

	Dogus Planet, Inc.	PT XL Planet Digital	Finnq Co. Ltd.
	As of December 31, 2016		
Current assets	₩ 46,433	20,077	48,699
Cash and cash equivalents	45,839	14,985	48,408
Non-current assets	20,218	50,765	673
Current liabilities	26,417	14,513	138
Accounts payable, other payables and provision	1,971	10,306	15
Non-current liabilities	72	1,305	784
	For the year ended December 31, 2016		
Revenue	53,864	9,492	—
Depreciation and amortization	(5,299)	(940)	(12)
Interest income	394	267	182
Interest expense	(2,139)	—	—
Income tax benefit	—	51	—
Loss for the year	(22,017)	(49,438)	(829)
Total comprehensive loss	(22,017)	(49,438)	(829)



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Notes to the Condensed Consolidated Interim Financial Statements

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8. Investments in Associates and Joint Ventures, Continued

(5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017				
	Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Cost-book value differentials	Carrying amount
Associates:					
SK hynix Inc.(*1,2)	₩ 27,756,851	20.1	5,743,998	1,143,109	6,887,107
KEB HanaCard Co., Ltd.	1,486,522	15.0	222,978	53,908	276,886
SKY Property Mgmt. Ltd.(*1)	564,776	33.0	186,376	72,491	258,867
Korea IT Fund	405,870	63.3	257,051	—	257,051

(In millions of won)

	December 31, 2016				
	Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Cost-book value differentials	Carrying amount
Associates:					
SK hynix Inc.(*1,2)	₩ 24,016,955	20.1	4,970,267	1,161,855	6,132,122
KEB HanaCard Co., Ltd.	1,411,839	15.0	211,776	54,022	265,798
SKY Property Mgmt. Ltd.(*1)	576,785	33.0	190,339	72,886	263,225
Korea IT Fund	416,606	63.3	263,850	—	263,850

(*1) Net assets of these entities represent net assets excluding those attributable to their non-controlling interests.

(*2) The ownership interest is based on the number of shares owned by the Parent Company as divided by the total shares issued by the investee company. The Group applied the equity method using the effective ownership interest of 20.69% which is based on the number of shares owned by the Parent Company and the investee's total shares outstanding.

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8. Investments in Associates and Joint Ventures, Continued

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017					
	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other decrease	Ending balance
Investments in associates:						
SK China Company Ltd.(*)	₩ 46,354	—	(596)	(2,206)	(1,094)	42,458
Korea IT Fund(*)	263,850	—	(8,767)	3,371	(1,403)	257,051
KEB HanaCard Co., Ltd.	265,798	—	11,143	(55)	—	276,886
NanoEnTek, Inc.	39,514	—	(784)	5	—	38,735
SK Industrial Development China Co., Ltd.	74,717	—	(610)	(2,621)	—	71,486
SK Technology Innovation Company	47,488	—	222	(2,707)	—	45,003
HappyNarae Co., Ltd.	17,236	—	(803)	(1)	—	16,432
SK hynix Inc.(*)	6,132,122	—	887,183	(44,538)	(87,660)	6,887,107
SK MENA Investment B.V.	15,451	—	68	4	—	15,523
SKY Property Mgmt. Ltd.	263,225	—	756	(5,114)	—	258,867
Xian Tianlong Science and Technology Co., Ltd	25,880	—	(737)	—	—	25,143
Daehan Kanggun BcN Co., Ltd. and others(*)	115,181	(2,840)	4,731	(2,711)	(2,645)	111,716
Sub-total	7,306,816	(2,840)	891,806	(56,573)	(92,802)	8,046,407
Investments in joint ventures:						
Dogus Planet, Inc.	20,081	—	(575)	(635)	—	18,871
PT XL Planet Digital	27,512	—	(7,536)	(2,982)	—	16,994
Finnq Co. Ltd.	24,174	—	(1,287)	—	—	22,887
Celcom Planet and others.	25,740	—	(4,158)	(431)	—	21,151
Sub-total	97,507	—	(13,556)	(4,048)	—	79,903
	₩ 7,404,323	(2,840)	878,250	(60,621)	(92,802)	8,126,310

(*) Dividends declared by the associates are deducted from the carrying amount during the six-month period ended June 30, 2017.



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SK TELECOM CO., LTD. and Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016

8. Investments in Associates and Joint Ventures, Continued

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2017 and 2016 are as follows, Continued:

(In millions of won)

	For the six-month period ended June 30, 2016					
	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other decrease	Ending balance
Investments in associates:						
SK China Company Ltd.	₩ 43,814	—	1,941	(718)	—	45,037
Korea IT Fund(*)	260,456	—	7,442	(5,388)	(6,082)	256,428
KEB HanaCard Co., Ltd.	254,177	—	5,976	(71)	—	260,082
Candle Media Co., Ltd.	20,144	—	(673)	(611)	(18,860)	—
NanoEnTek, Inc.	45,008	—	(2,655)	(1,223)	—	41,130
SK Industrial Development China Co., Ltd.	86,324	—	(5,715)	(4,676)	—	75,933
SK Technology Innovation Company	45,891	—	90	(287)	—	45,694
HappyNarae Co., Ltd.	17,095	—	(1,609)	(42)	—	15,444
SK hynix Inc. (*)	5,624,493	—	132,490	(13,873)	(73,050)	5,670,060
SK MENA Investment B.V.	14,929	—	22	(91)	—	14,860
SKY Property Mgmt. Ltd.	251,166	—	15,590	(1,150)	—	265,606
Xian Tianlong Science and Technology Co., Ltd	25,767	—	(158)	—	—	25,609
Others	161,058	(4,019)	(5,603)	563	(682)	151,317
Sub-total	6,850,322	(4,019)	147,138	(27,567)	(98,674)	6,867,200
Investments in joint ventures:						
Dogus Planet, Inc.	15,118	12,131	(5,863)	(3,622)	—	17,764
PT. Melon Indonesia	4,339	—	426	184	—	4,949
Celcom Planet	3,406	8,838	(11,350)	—	—	894
PT XL Planet Digital	23,108	27,571	(12,372)	—	—	38,307
Sub-total	45,971	48,540	(29,159)	(3,438)	—	61,914
Total	₩ 6,896,293	44,521	117,979	(31,005)	(98,674)	6,929,114

(*) Dividends declared by the associates are deducted from the carrying amount during the six-month period ended June 30, 2016.



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8. Investments in Associates and Joint Ventures, Continued

(7) The Group discontinued the application of equity method to the following investees due to their carrying amounts being reduced to zero. The details of cumulative unrecognized equity method losses as of June 30, 2017 are as follows:

(In millions of won)

	Unrecognized loss		Unrecognized change in equity	
	For the six-month period ended June 30, 2017	Cumulative loss	For the six-month period ended June 30, 2017	Cumulative loss
Wave City Development Co., Ltd.	₩ 3,552	6,842	—	—
Celcom Planet. and others	8,681	19,472	—	365
	₩ 12,233	26,314	—	365

9. Property and Equipment

Changes in property and equipment for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment	
Land	₩ 835,909	2,293	(3,625)	16,673	—	—	851,250
Buildings	899,972	129	(302)	23,227	(25,737)	—	897,289
Structures	358,955	2,115	(70)	415	(17,402)	—	344,013
Machinery	7,036,050	185,030	(10,829)	557,999	(1,098,812)	(5)	6,669,433
Other	563,034	218,536	(2,903)	(196,783)	(71,065)	(2,213)	508,606
Construction in progress	680,292	335,066	(1,811)	(710,434)	—	—	303,113
	₩ 10,374,212	743,169	(19,540)	(308,903)	(1,213,016)	(2,218)	9,573,704

(In millions of won)

	For the six-month period ended June 30, 2016						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment	
Land	₩ 812,947	1,725	(2,639)	12,289	—	—	824,322
Buildings	911,129	295	(8,411)	20,999	(25,092)	—	898,920
Structures	344,221	595	(15)	5,223	(16,492)	—	333,532
Machinery	7,342,009	216,498	(5,848)	319,818	(1,068,371)	—	6,804,106
Other	473,438	140,101	(2,346)	(126,461)	(70,379)	—	414,353
Construction in progress	487,512	222,586	(7,419)	(261,842)	—	—	440,837
	₩ 10,371,256	581,800	(26,678)	(29,974)	(1,180,334)	—	9,716,070



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10. Intangible Assets

(1) Details of the changes in intangible assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017						
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Frequency usage rights	₩ 2,580,828	—	—	—	(201,944)	—	2,378,884
Land usage rights	20,834	1,369	(475)	200	(4,063)	—	17,865
Industrial rights	121,200	2,215	—	(2,433)	(3,688)	—	117,294
Development costs	4,871	1,420	—	—	(1,659)	—	4,632
Facility usage rights	41,788	651	(30)	118	(4,264)	—	38,263
Customer relations	6,652	295	—	—	(1,806)	—	5,141
Club memberships	74,039	4,114	(790)	—	—	—	77,363
Other	926,142	42,533	(2,960)	323,436	(168,336)	(233)	1,120,582
	<u>₩ 3,776,354</u>	<u>52,597</u>	<u>(4,255)</u>	<u>321,321</u>	<u>(385,760)</u>	<u>(233)</u>	<u>3,760,024</u>

(In millions of won)

	For the six-month period ended June 30, 2016						
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Frequency usage rights	₩ 1,103,517	—	—	—	(140,264)	—	963,253
Land usage rights	26,576	4,536	(1,456)	—	(4,752)	—	24,904
Industrial rights	116,542	2,110	(11)	147	(2,990)	—	115,798
Development costs	7,472	1,066	—	—	(2,039)	(277)	6,222
Facility usage rights	48,019	479	(4)	70	(4,292)	—	44,272
Customer relations	7,175	513	—	—	(2,033)	—	5,655
Club memberships	91,507	5,039	(3,842)	—	—	(20)	92,684
Other	903,976	34,462	(6,731)	50,973	(164,779)	(500)	817,401
	<u>₩ 2,304,784</u>	<u>48,205</u>	<u>(12,044)</u>	<u>51,190</u>	<u>(321,149)</u>	<u>(797)</u>	<u>2,070,189</u>

(2) Details of frequency usage rights as of June 30, 2017 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license	₩ 162,176	Frequency usage rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	565,290	Frequency usage rights relating to LTE service	Sept. 2013	Dec. 2021
WiBro license	4,132	WiBro service	Mar. 2012	Mar. 2019
2.6GHz license	1,153,480	Frequency usage rights relating to LTE service	Sept. 2016	Dec. 2026
2.1GHz license	493,806	Frequency usage rights relating to W-CDMA and LTE service	Dec. 2016	Dec. 2021
	<u>₩ 2,378,884</u>			

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11. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	Lender	Annual interest rate	June 30, 2017	December 31, 2016
Short-term borrowings	Shinhan Bank	2.93%	₩ 30,000	—
	Woori Bank	2.88%	—	2,614
			<u>₩ 30,000</u>	<u>2,614</u>

(2) Changes in long-term borrowings for the six-month period ended June 30, 2017 are as follows:

(In millions of won)

	Lender	Annual interest rate	Maturity	Book value
Current				₩ 33,191
Non-current				139,716
As of January 1, 2017				<u>172,907</u>
New long-term borrowings:				
	Korea Development Bank	3.20%	Mar. 31, 2020	30,000
	KEB Hana Bank	3.23%	Feb. 28, 2019	40,000
Repayments of long-term borrowings:				
	Kookmin Bank	1.29%	Mar. 15, 2017	(500)
	Kookmin Bank	1.86%	Mar. 15, 2018	(1,433)
	Korea Development Bank	2.20%	Jul. 30, 2019	(6,500)
	Korea Development Bank	2.20%	Jul. 30, 2019	(1,666)
	Export Kreditnamnden	1.70%	Apr. 29, 2022	(6,407)
Other changes(*)				<u>(4,180)</u>
Current				37,366
Non-current				<u>184,855</u>
As of June 30, 2017				<u>₩ 222,221</u>

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated long-term borrowings and present value discount during the six-month period ended June 30, 2017.

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For the six-month periods ended June 30, 2017 and 2016

11. Borrowings and Debentures, Continued

(3) Changes in debentures for the six-month period ended June 30, 2017 are as follows:

(In millions of won, thousands of other currencies)

	<u>Purpose</u>	<u>Annual interest rate</u>	<u>Maturity</u>	<u>Face value</u>	<u>Book value</u>
Current				₩ 856,014	855,276
Non-current				6,354,450	6,338,930
As of January 1, 2017				7,210,464	7,194,206
New debentures:					
Unsecured private bonds	Refinancing fund	1.93%	Apr. 25, 2020	60,000	59,703
		2.17%	Apr. 25, 2022	120,000	119,498
		2.55%	Apr. 25, 2027	100,000	99,592
Unsecured private bonds	Operating and refinancing fund	2.65%	Apr. 25, 2032	90,000	89,663
		2.26%	Feb. 3, 2022	150,000	149,348
Repayments of debenture:					
Unsecured private Swiss bonds	Operating fund	1.75%	June 12, 2017	(349,119)	(349,119)
				CHF 300,000	CHF 300,000
Unsecured private bonds(*1)		4.28%	Jan. 19, 2017	(100,000)	(100,000)
Unsecured private bonds(*2)		3.48%	May 29, 2017	(20,000)	(20,000)
Other changes(*3):				(121,360)	(115,841)
Current				1,430,385	1,427,558
Non-current				5,709,600	5,699,492
As of June 30, 2017				₩ 7,139,985	7,127,050

(*1) Unsecured private bonds were issued by SK Broadband Co., Ltd.

(*2) Unsecured private bonds were issued by PS&Marketing Corporation.

(*3) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and present value discount during the six-month period ended June 30, 2017.



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For the six-month periods ended June 30, 2017 and 2016

12. Long-term Payables - other

(1) Long-term payables - other as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Payables related to acquisition of frequency usage rights	₩ 1,317,292	1,602,943
Other(*)	19,758	21,647
	<u>₩ 1,337,050</u>	<u>1,624,590</u>

(*) Other includes other long-term employee compensation liabilities.

(2) As of June 30, 2017 and December 31, 2016, details of long-term payables - other which consist of payables related to the acquisition of frequency usage rights are as follows (See Note 10):

(In millions of won)

	June 30, 2017	December 31, 2016
Long-term payables - other	₩ 1,710,255	2,013,122
Present value discount on long-term payables - other	(93,774)	(108,406)
	1,616,481	1,904,716
Less current installments of long-term payables - other	(299,189)	(301,773)
Carrying amount at period end	<u>₩ 1,317,292</u>	<u>1,602,943</u>

(3) The repayment schedule of the principal amount of long-term payables - other related to acquisition of frequency usage rights as of June 30, 2017 is as follows:

(In millions of won)

	Amount
Less than 1 year	₩ 302,867
1~3 years	605,734
3~5 years	402,624
More than 5 years	399,030
	<u>₩ 1,710,255</u>



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13. Provisions

Changes in provisions for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017						As of June 30, 2017	
	Beginning balance	Increase	Utilization	Reversal	Other	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 24,710	2	(4,902)	—	—	19,810	19,810	—
Provision for restoration	64,679	4,138	(758)	(233)	82	67,908	39,204	28,704
Emission allowance	2,788	2,401	(518)	(2,283)	—	2,388	2,388	—
Other provisions	5,740	1,988	(2,020)	—	—	5,708	5,708	—
	<u>₩ 97,917</u>	<u>8,529</u>	<u>(8,198)</u>	<u>(2,516)</u>	<u>82</u>	<u>95,814</u>	<u>67,110</u>	<u>28,704</u>

(In millions of won)

	For the six-month period ended June 30, 2016						As of June 30, 2016	
	Beginning balance	Increase	Utilization	Reversal	Other	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 5,670	—	(1,019)	—	—	4,651	1,213	3,438
Provision for restoration	59,954	3,490	(352)	(698)	(33)	62,361	28,816	33,545
Emission allowance	1,477	242	(169)	—	—	1,550	1,550	—
Other provisions	3,104	1,629	(247)	—	—	4,486	4,446	40
	<u>₩ 70,205</u>	<u>5,361</u>	<u>(1,787)</u>	<u>(698)</u>	<u>(33)</u>	<u>73,048</u>	<u>36,025</u>	<u>37,023</u>

The Group has provided handset subsidy to subscribers who purchase wireless telecommunication services from the Group and recognized a provision for subsidy amounts which the Group has obligations to pay in future periods.

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14. Defined Benefit Liabilities(Assets)

(1) Details of defined benefit liabilities(assets) as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	₩ 660,193	595,667
Fair value of plan assets	(557,672)	(555,175)
Defined benefit assets(*)	(164)	(30,247)
Defined benefit liabilities	<u>102,685</u>	<u>70,739</u>

(*) Since the Group entities have no legally enforceable rights to settle the defined benefit obligations of Group entities with defined benefit assets of other Group entities, defined benefit assets of Group entities have been separately presented from defined benefit liabilities in the statements of financial position.

(2) Changes in defined benefit obligations for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	₩ 595,667	525,269
Current service cost	57,937	56,780
Interest cost	7,755	6,458
Remeasurement:		
- Adjustment based on experience	11,597	10,056
Benefit paid	(26,201)	(20,553)
Others	13,438	709
Ending balance	<u>₩ 660,193</u>	<u>578,719</u>

(3) Changes in plan assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	<u>For the six-month period ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	₩ 555,175	426,413
Interest income	6,814	4,848
Remeasurement	(1,868)	(5,501)
Contributions	29,764	20,509
Benefit paid	(42,661)	(18,125)
Others	10,448	1,199
Ending balance	<u>₩ 557,672</u>	<u>429,343</u>

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For the six-month periods ended June 30, 2017 and 2016

14. Defined Benefit Liabilities(Assets), Continued

- (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, 2017 and 2016 are as follows:

(In millions of won)	For the six-month period ended	
	June 30, 2017	June 30, 2016
Current service cost	₩ 57,937	56,780
Net interest cost	941	1,610
	₩ 58,878	58,390

15. Derivative Instruments

The derivative contracts that matured or newly entered into during the six-month period ended June 30, 2017 is as follows:

(In thousands of other currencies)

Borrowing date	Hedging Instrument(Hedged item)	Hedged risk	Financial institution	Duration of contract
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds with face value of CHF 300,000)	Foreign currency risk	Citibank and four other banks	Jun. 12, 2012 ~ Jun.12, 2017
Mar. 31, 2017	Floating-to-fixed interest rate swap (Korean won borrowing amounting to KRW 30,000)	Interest rate risk	Korea Development Bank	Mar. 31, 2017~ Mar. 31, 2020

16. Share Capital and Capital Surplus and Others

The Parent Company's outstanding share capital consists entirely of common shares with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won, except for share data)	June 30, 2017	December 31, 2016
Number of authorized shares	220,000,000	220,000,000
Number of issued shares	80,745,711	80,745,711
Share capital:		
Common stock	₩ 44,639	44,639
Capital surplus and others:		
Paid-in surplus	2,915,887	2,915,887
Treasury shares	(2,260,626)	(2,260,626)
Hybrid bonds	398,518	398,518
Share option(Note 17)	145	—
Others (*)	(861,881)	(854,000)
	₩ 192,043	199,779

- (*) Others primarily consist of the excess of the consideration paid by the Group over the carrying values of net assets acquired from entities under common control.



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16. Share Capital and Capital Surplus and Others, Continued

There were no changes in share capital for the six-month periods ended June 30, 2017 and 2016 and details of shares outstanding as of June 30, 2017 and 2016 are as follows:

(In shares)

	June 30, 2017			June 30, 2016		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Issued shares	80,745,711	10,136,551	70,609,160	80,745,711	10,136,551	70,609,160

17. Share option

- (1) At the shareholders' meeting held on March 24, 2017, the Parent Company established a share option program that entitles key management personnel the option to purchase common shares in the Parent Company. The terms and conditions related to the grants of the share options granted under the share option program are as follows:

	1-1	1-2	1-3
Grant date	March 24, 2017		
Types of shares to be issued	66,504 of registered common shares		
Grant method	Reissue of treasury shares		
Number of shares (in shares)	22,168	22,168	22,168
Exercise price (in won)	246,750	266,490	287,810
Exercise period	Mar. 25, 2019 ~ Mar. 24, 2022	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 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) Share compensation expense recognized during the six-month period ended June 30, 2017 and the remaining share compensation expense to be recognized in subsequent periods are as follows:

(In millions of won)

	Share compensation expense
During the six-month period ended June 30, 2017	₩ 145
In subsequent periods	1,246
	₩ 1,391

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

	1-1	1-2	1-3
Risk-free interest rate	1.86%	1.95%	2.07%
Estimated option's life	5 years	6 years	7 years
Share price (Closing price on the preceding day in won)	262,500	262,500	262,500
Expected volatility	13.38%	13.38%	13.38%
Expected dividends	3.80%	3.80%	3.80%
Exercise price (in won)	246,750	266,490	287,810
Fair value per share (in won)	27,015	20,240	15,480



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18. Retained Earnings

Retained earnings as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Appropriated:		
Legal reserve	₩ 22,320	22,320
Reserve for research & manpower development	—	60,001
Reserve for business expansion	10,171,138	9,871,138
Reserve for technology development	3,071,300	2,826,300
	13,264,758	12,779,759
Unappropriated	3,248,646	3,173,405
	<u>₩16,513,404</u>	<u>15,953,164</u>

19. Reserves

(1) Details of reserves, net of taxes, as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Valuation gain on available-for-sale financial assets	₩ 143,990	12,534
Other comprehensive loss of investments in associates	(240,377)	(179,167)
Valuation loss on derivatives	(90,489)	(96,418)
Foreign currency translation differences for foreign operations	10,251	36,868
	<u>₩(176,625)</u>	<u>(226,183)</u>

(2) Changes in reserves for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2017				
	Valuation gain on available-for- sale financial assets	Other compre- hensive loss of investments in associates	Valuation loss on derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2017	₩ 12,534	(179,167)	(96,418)	36,868	(226,183)
Changes, net of taxes	131,456	(61,210)	5,929	(26,617)	49,558
Balance at June 30, 2017	<u>₩ 143,990</u>	<u>(240,377)</u>	<u>(90,489)</u>	<u>10,251</u>	<u>(176,625)</u>

(In millions of won)

	For the six-month period ended June 30, 2016				
	Valuation gain (loss) on available-for-sale financial assets	Other compre- hensive loss of investments in associates	Valuation loss on derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2016	₩ 232,316	(169,520)	(83,200)	29,707	9,303
Changes, net of taxes	(190,688)	(30,948)	(5,929)	(14,143)	(241,708)
Balance at June 30, 2016	<u>₩ 41,628</u>	<u>(200,468)</u>	<u>(89,129)</u>	<u>15,564</u>	<u>(232,405)</u>



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20. Other Operating Expenses

Details of other operating expenses for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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 Operating Expenses:				
Communication	₩ 6,863	13,997	8,368	18,150
Utilities	64,580	138,251	61,496	132,412
Taxes and dues	6,655	9,954	8,610	17,841
Repair	88,148	163,541	86,764	155,489
Research and development	94,848	189,465	84,012	168,111
Training	6,155	13,031	6,985	13,791
Bad debt for accounts receivable - trade	11,919	18,430	14,601	22,643
Travel	5,789	11,622	6,786	12,118
Supplies and other	41,148	74,227	13,468	53,152
	<u>₩ 326,105</u>	<u>632,518</u>	<u>291,090</u>	<u>593,707</u>

21. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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:				
Fees revenues	₩ 113	186	173	267
Gain on disposal of property and equipment and intangible assets	3,452	7,976	1,297	2,248
Others	3,602	7,274	8,155	38,809
	<u>₩ 7,167</u>	<u>15,436</u>	<u>9,625</u>	<u>41,324</u>
Other Non-operating Expenses:				
Loss on impairment of property and equipment and intangible assets	₩ 257	2,451	609	797
Loss on disposal of property and equipment and intangible assets	3,047	13,174	9,929	18,199
Donations	22,314	37,505	17,529	47,138
Bad debt for accounts receivable – others	—	2,191	3,408	3,409
Loss on impairment of investment assets	3,969	6,416	5,531	11,868
Others	38,000	41,589	5,002	9,804
	<u>₩ 67,587</u>	<u>103,326</u>	<u>42,008</u>	<u>91,215</u>

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22. Finance Income and Costs

(1) Details of finance income and costs for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 14,688	39,968	12,346	24,395
Gain on sale of accounts receivable - trade	4,065	9,090	5,191	7,855
Dividends	433	10,584	29	14,842
Gain on foreign currency transactions	5,353	7,639	1,765	7,513
Gain on foreign currency translations	1,668	4,178	826	1,036
Gain on disposal of long-term investment securities	493	2,762	1,187	316,902
Gain on valuation of derivatives	554	909	463	3,684
Gain relating to financial liabilities at fair value through profit or loss	—	—	403	177
	<u>₩ 27,254</u>	<u>75,130</u>	<u>22,210</u>	<u>376,404</u>

(In millions of won)

	2017		2016	
	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 Costs:				
Interest expense	₩ 75,066	149,486	70,017	142,409
Loss on sale of accounts receivable - trade	2,437	4,955	—	—
Loss on foreign currency transactions	4,854	9,217	3,954	7,392
Loss on foreign currency translations	—	4,968	—	1,684
Loss on disposal of long-term investment securities	35,975	36,024	50	134
Loss on settlement of derivatives	8,910	8,910	319	319
Loss relating to financial liabilities at fair value through profit or loss	198	529	—	—
Other finance costs	12,523	12,523	—	—
	<u>₩ 139,963</u>	<u>226,612</u>	<u>74,340</u>	<u>151,938</u>



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22. Finance Income and Costs, Continued

(2) Details of interest income included in finance income for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 7,934	13,539	5,389	10,346
Interest income on installment receivables and others	6,754	26,429	6,957	14,049
	<u>₩ 14,688</u>	<u>39,968</u>	<u>12,346</u>	<u>24,395</u>

(3) Details of interest expenses included in finance costs for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 3,687	6,139	2,591	4,958
Interest expenses on debentures	57,495	113,319	59,901	120,975
Others	13,884	30,028	7,525	16,476
	<u>₩ 75,066</u>	<u>149,486</u>	<u>70,017</u>	<u>142,409</u>

(4) Details of impairment losses on financial assets for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Available-for-sale financial assets	₩ 12,523	12,523	—	—
Accounts receivable - trade	11,919	18,430	14,601	22,643
Other receivables	—	2,191	3,408	3,409
	<u>₩ 24,442</u>	<u>33,144</u>	<u>18,009</u>	<u>26,052</u>

23. Income Tax Expense

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



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24. Earnings per Share

(1) Basic earnings per share

1) Basic earnings per share for the six-month periods ended June 30, 2017 and 2016 are calculated as follows:

(In millions of won, shares)

	2017		2016	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Basic earnings per share:				
Profit attributable to owners of the Parent Company on common shares	₩ 624,889	1,214,023	290,135	861,982
Interest on hybrid bonds	(8,420)	(8,420)	(8,420)	(8,420)
Profit for the period available for common shares	616,469	1,205,603	281,715	853,562
Weighted average number of common shares outstanding	70,609,160	70,609,160	70,609,160	70,609,160
Basic earnings per share (in won)	₩ 8,731	17,074	3,990	12,089

2) The weighted average number of common shares outstanding for the six-month periods ended June 30, 2017 and 2016 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, 2017	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, 2017	70,609,160	70,609,160	70,609,160

(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, 2016	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, 2016	70,609,160	70,609,160	70,609,160

(2) Diluted earnings per share

For the six-month periods ended June 30, 2017 and 2016, 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, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instrument	Total
Cash and cash equivalents	₩ —	—	1,237,629	—	1,237,629
Financial instruments	—	—	689,262	—	689,262
Short-term investment securities	—	47,407	—	—	47,407
Long-term investment securities	—	835,508	—	—	835,508
Accounts receivable – trade	—	—	2,237,088	—	2,237,088
Loans and other receivables(*)	—	—	1,539,150	—	1,539,150
Derivative financial assets	8,199	—	—	87,600	95,799
	<u>₩ 8,199</u>	<u>882,915</u>	<u>5,703,129</u>	<u>87,600</u>	<u>6,681,843</u>

(In millions of won)

	December 31, 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instrument	Total
Cash and cash equivalents	₩ —	—	1,505,242	—	1,505,242
Financial instruments	—	—	469,705	—	469,705
Short-term investment securities	—	107,364	—	—	107,364
Long-term investment securities	—	828,521	—	—	828,521
Accounts receivable – trade	—	—	2,261,311	—	2,261,311
Loans and other receivables(*)	—	—	1,701,249	—	1,701,249
Derivative financial assets	7,368	—	—	207,402	214,770
	<u>₩ 7,368</u>	<u>935,885</u>	<u>5,937,507</u>	<u>207,402</u>	<u>7,088,162</u>



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25. Categories of Financial Instruments, Continued

(1) Financial assets by category as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(*) Details of loans and other receivables as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Short-term loans	₩ 79,507	58,979
Accounts receivable – other	991,435	1,121,444
Accrued income	4,079	2,780
Other current assets	7,371	3,937
Long-term loans	55,142	65,476
Long-term accounts receivable-other	107,441	149,669
Guarantee deposits	294,175	298,964
	<u>₩ 1,539,150</u>	<u>1,701,249</u>

(2) Financial liabilities by category as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivatives designated as hedging instrument	Total
Accounts payable – trade	₩ —	249,340	—	249,340
Derivative financial liabilities	—	—	70,931	70,931
Borrowings	—	252,221	—	252,221
Debentures(*1)	60,129	7,066,921	—	7,127,050
Accounts payable - other and others (*2)	—	3,847,278	—	3,847,278
	<u>₩ 60,129</u>	<u>11,415,760</u>	<u>70,931</u>	<u>11,546,820</u>

(In millions of won)

	December 31, 2016			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivatives designated as hedging instrument	Total
Accounts payable – trade	₩ —	402,445	—	402,445
Derivative financial liabilities	—	—	87,153	87,153
Borrowings	—	175,521	—	175,521
Debentures(*1)	59,600	7,134,606	—	7,194,206
Accounts payable - other and others (*2)	—	4,842,734	—	4,842,734
	<u>₩ 59,600</u>	<u>12,555,306</u>	<u>87,153</u>	<u>12,702,059</u>

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2017 and December 31, 2016 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to eliminate a measurement inconsistency with the related derivatives.



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25. Categories of Financial Instruments, Continued

(2) Financial liabilities by category as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(*2) Details of accounts payable – other and others as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Accounts payable – other	₩ 1,042,869	1,767,799
Withholdings	1,938	1,525
Accrued expenses	1,146,906	1,125,816
Current portion of long-term payables - other	299,727	301,773
Long-term payables - other	1,337,050	1,624,590
Other non-current liabilities	18,788	21,231
	<u>₩ 3,847,278</u>	<u>4,842,734</u>

26. Financial Risk Management

(1) Financial risk management

The Group 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, interest rates and equity prices. The Group implements a risk management system to monitor and manage these specific risks.

The Group’s financial assets consist of cash and cash equivalents, financial instruments, available-for-sale financial assets, and accounts receivable - trade and other. Financial liabilities consist of accounts payable - trade and other, borrowings, and debentures.

1) Market risk

(i) Currency risk

The Group incurs exchange position due to revenue and expenses from its foreign operations. Major foreign currencies where the currency risk occur are USD, JPY and EUR. The Group determines the currency risk management policy after considering the nature of business and the presence of methods that mitigate the currency risk for each Group entities. Currency risk occurs on forecasted transactions and recognized assets and liabilities which are denominated in a currency other than the functional currency of each Group entity. The Group manages currency risk arising from business transactions by using currency forwards, etc.



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26. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary assets and liabilities denominated in foreign currencies as of June 30, 2017 are as follows:

(In millions of won, thousands of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	150,588	₩ 171,600	1,832,738	₩ 2,088,335
EUR	23,695	30,898	176	229
JPY	62,791	639	1,991	20
AUD	—	—	299,796	262,486
Others	—	902	—	181
		<u>₩ 204,039</u>		<u>₩ 2,351,251</u>

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 15)

As of June 30, 2017, a hypothetical change in exchange rates by 10% would have increased (reduced) the Group's income before income taxes as follows:

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 7,570	(7,570)
EUR	3,067	(3,067)
JPY	62	(62)
Others	72	(72)
	<u>₩ 10,771</u>	<u>(10,771)</u>

(ii) Equity price risk

The Group has listed and non-listed equity securities for its liquidity management and operating purpose. As of June 30, 2017, available-for-sale equity instruments measured at fair value amount to ₩702,070 million.



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26. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk

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

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

As of June 30, 2017, the floating-rate borrowings and debentures of the Group are ₩187,900 million and ₩341,880 million, respectively, and the Group has entered into interest rate swap agreements for some of floating-rate borrowings and debentures to hedge interest rate risk.

If the interest rate increases (decreases) 1% with all other variables held constant, income before income taxes for the six-month period ended June 30, 2017, would change by ₩722 million due to the interest expense on floating-rate borrowings that are exposed to interest rate risk.

2) Credit risk

The maximum credit exposure as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Cash and cash equivalents	₩1,237,469	1,505,082
Financial instruments	689,262	469,705
Available-for-sale financial assets	7,258	6,755
Accounts receivable – trade	2,237,088	2,261,311
Loans and other receivables	1,539,150	1,701,249
Derivative financial assets	95,799	214,770
	<u>₩5,806,026</u>	<u>6,158,872</u>

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations.

To manage credit risk, the Group 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 Group establishes credit limits for each customer or counterparty.

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26. Financial Risk Management, Continued

- (1) Financial risk management, Continued
- 2) Credit risk, Continued

The Group establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. 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 have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Also, the Group'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 Group has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of June 30, 2017.

- 3) Liquidity risk

The Group'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 Group maintains enough liquidity within credit lines through active operating activities.

Contractual maturities of financial liabilities as of June 30, 2017 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable - trade	₩ 249,340	249,340	249,340	—	—
Borrowings(*)	252,221	266,478	73,512	192,966	—
Debentures(*)	7,127,050	8,335,219	1,638,097	3,719,537	2,977,585
Accounts payable - other and others	3,847,278	4,027,606	2,515,624	1,094,365	417,617
	<u>₩ 11,475,889</u>	<u>12,878,643</u>	<u>4,476,573</u>	<u>5,006,868</u>	<u>3,395,202</u>

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

- (*) Includes interest payables.

As of June 30, 2017, 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	₩ 87,600	90,312	21,902	67,593	817
Liabilities	(70,931)	(71,460)	(71,124)	(336)	—
	<u>₩ 16,669</u>	<u>18,852</u>	<u>(49,222)</u>	<u>67,257</u>	<u>817</u>



SK TELECOM CO., LTD. and Subsidiaries
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26. Financial Risk Management, Continued

(2) Capital management

The Group 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 strategy of the Group is the same as that of the Group as of and for the year ended December 31, 2016.

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

Debt-equity ratio as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017	December 31, 2016
Total liabilities	₩14,102,568	15,181,233
Total equity	16,675,211	16,116,430
Debt-equity ratios	84.57%	94.20%

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2017 are as follows:

(In millions of won)

	June 30, 2017				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
Financial assets at fair value through profit or loss	₩ 8,199	—	8,199	—	8,199
Derivative financial assets	87,600	—	87,600	—	87,600
Available-for-sale financial assets	702,070	552,486	47,407	102,177	702,070
	<u>₩ 797,869</u>	<u>552,486</u>	<u>143,206</u>	<u>102,177</u>	<u>797,869</u>
Financial liabilities that are measured at fair value:					
Financial liabilities at fair value through profit or loss	₩ 60,129	—	60,129	—	60,129
Derivative financial liabilities	70,931	—	70,931	—	70,931
	<u>₩ 131,060</u>	<u>—</u>	<u>131,060</u>	<u>—</u>	<u>131,060</u>
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 252,221	—	254,250	—	254,250
Debentures	7,066,921	—	7,502,531	—	7,502,531
Long-term payables - other	1,636,777	—	1,770,735	—	1,770,735
	<u>₩8,955,919</u>	<u>—</u>	<u>9,527,516</u>	<u>—</u>	<u>9,527,516</u>



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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, 2016 are as follows:

(In millions of won)

	December 31, 2016				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value					
Financial assets at fair value through profit or loss	₩ 7,368	—	7,368	—	7,368
Derivative financial assets	207,402	—	207,402	—	207,402
Available-for-sale financial assets	741,285	526,363	107,364	107,558	741,285
	<u>₩ 956,055</u>	<u>526,363</u>	<u>322,134</u>	<u>107,558</u>	<u>956,055</u>
Financial liabilities that are measured at fair value					
Financial liabilities at fair value through profit or loss	₩ 59,600	—	59,600	—	59,600
Derivative financial liabilities	87,153	—	87,153	—	87,153
	<u>₩ 146,753</u>	<u>—</u>	<u>146,753</u>	<u>—</u>	<u>146,753</u>
Financial liabilities that are not measured at fair value					
Borrowings	₩ 175,521	—	177,600	—	177,600
Debentures	7,134,606	—	7,568,361	—	7,568,361
Long-term payables - other	1,926,363	—	2,103,788	—	2,103,788
	<u>₩ 9,236,490</u>	<u>—</u>	<u>9,849,749</u>	<u>—</u>	<u>9,849,749</u>

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

Available-for-sale financial assets amounting to ₩180,845 million and ₩194,600 million as of June 30, 2017 and December 31, 2016, respectively, are measured at cost in accordance with K-IFRS 1039 since they are equity instruments which do not have quoted price in an active market for the identical instruments and for which fair value cannot be reliably measured using other valuation methods.

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.



SK TELECOM CO., LTD. and Subsidiaries
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26. Financial Risk Management, Continued

(3) Fair value, Continued

The Group uses various valuation methods for determination of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the discounted present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Group performs valuation using the inputs which are consistent with natures of assets and liabilities measured.

Interest rates used by the Group for the fair value measurement as of June 30, 2017 are as follows:

	Interest rate
Derivative instruments	1.13 ~ 2.74%
Borrowings and debentures	2.05 ~ 2.74%
Long-term payables - other	1.80 ~ 2.31%

3) There have been no transfers between Level 2 to Level 1 for the six-month period ended June 30, 2017 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2017 are as follows:

(In millions of won)

	Balance at January 1, 2017	Acquisition	Transfer	Other comprehensive loss	Disposal	Balance at June 30, 2017
Available-for-sale financial assets	₩107,558	1,142	3,949	(3,522)	(6,950)	102,177

SK TELECOM CO., LTD. and Subsidiaries
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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, 2017 and December 31, 2016 are as follows:

(In millions of won)

	June 30, 2017				
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statements of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
Derivatives(*)	₩ 22,179	—	22,179	(22,179)	—
Accounts receivable – trade and others	89,076	(88,370)	706	—	706
	<u>₩ 111,255</u>	<u>(88,370)</u>	<u>22,885</u>	<u>(22,179)</u>	<u>706</u>
Financial liabilities:					
Derivatives(*)	₩ 70,591	—	70,591	(22,179)	48,412
Accounts payable – other and others	88,380	(88,370)	10	—	10
	<u>₩ 158,971</u>	<u>(88,370)</u>	<u>70,601</u>	<u>(22,179)</u>	<u>48,422</u>

(In millions of won)

	December 31, 2016				
	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statements of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
Derivatives(*)	₩ 87,566	—	87,566	(87,153)	413
Accounts receivable – trade and others	114,135	(103,852)	10,283	—	10,283
	<u>₩ 201,701</u>	<u>(103,852)</u>	<u>97,849</u>	<u>(87,153)</u>	<u>10,696</u>
Financial liabilities:					
Derivatives(*)	₩ 87,153	—	87,153	(87,153)	—
Accounts payable – other and others	103,852	(103,852)	—	—	—
	<u>₩ 191,005</u>	<u>(103,852)</u>	<u>87,153</u>	<u>(87,153)</u>	<u>—</u>

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



SK TELECOM CO., LTD. and Subsidiaries
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27. Transactions with Related Parties

(1) List of related parties

Relationship

Ultimate Controlling Entity
Joint ventures
Associates
Others

Company

SK Holdings Co., Ltd.
Dogus Planet, Inc. and 5 others
SK hynix Inc. and 45 others
The Ultimate Controlling Entity's other subsidiaries and associates, etc.

As of June 30, 2017, the Group 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 Group.

(2) Compensation for the key management

The Parent Company considers registered 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 six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	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	₩ 331	1,499	221	1,201
Defined benefits plan expenses	85	92	47	328
Share option	133	145	—	—
	₩ 549	1,736	268	1,529

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.



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For the six-month periods ended June 30, 2017 and 2016

27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

Scope	Company	For the six-month period ended June 30, 2017					
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 5,254	10,880	102,046	379,322	78,087	136,639
Associates	F&U Credit information Co., Ltd.	697	1,370	12,880	27,137	37	37
	HappyNarae Co., Ltd.	165	2,771	5,612	13,032	12,430	15,361
	SK hynix Inc.(*2)	10,115	102,665	317	349	—	—
	KEB HanaCard Co., Ltd.	4,577	9,174	3,714	7,400	43	43
	Others(*3)	1,971	3,212	5,086	26,472	151	151
		<u>17,525</u>	<u>119,192</u>	<u>27,609</u>	<u>74,390</u>	<u>12,661</u>	<u>15,592</u>
Other	SK Engineering & Construction Co., Ltd.	2,190	3,085	357	576	—	—
	SK Networks Co., Ltd.	5,959	10,033	283,641	528,311	281	281
	SK Networks service Co., Ltd.	33	78	17,238	40,017	455	1,689
	SK Telesys Co., Ltd.	61	162	12,428	19,151	28,787	46,867
	SK Energy Co., Ltd.	1,493	2,333	286	420	—	—
	SK Innovation Co., Ltd.	1,807	3,659	309	490	—	—
	SK TNS Co., Ltd	35	67	7,201	7,498	70,348	94,726
	SK infosec Co., Ltd.	486	503	13,070	27,199	3,094	4,656
	Others	8,103	14,280	20,998	36,360	13,718	20,858
		<u>20,167</u>	<u>34,200</u>	<u>355,528</u>	<u>660,022</u>	<u>116,683</u>	<u>169,077</u>
		<u>₩ 42,946</u>	<u>164,272</u>	<u>485,183</u>	<u>1,113,734</u>	<u>207,431</u>	<u>321,308</u>

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

(*2) Operating revenue and others include ₩87,660 million of dividends received from SK Hynix Inc. which was deducted from the investment in associates.

(*3) Operating revenue and others include ₩1,403 million of dividends received from Korea IT Fund.



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27. Transactions with Related Parties, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2017 and 2016 are as follows, Continued:

(In millions of won)

Scope	Company	For the six-month period ended June 30, 2016									
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment		Loans		Collection of loans	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 5,455	11,003	140,142	448,119	38,889	49,586	—	—	—	—
Associates	F&U Credit information Co., Ltd.	546	1,070	9,894	23,337	—	—	—	—	—	—
	HappyNarae Co., Ltd.	79	152	3,481	5,721	3,745	4,309	—	—	—	—
	SK hynix Inc.(*2)	9,435	85,304	281	290	—	—	—	—	—	—
	KEB HanaCard Co., Ltd.	4,994	9,999	4,530	7,479	—	—	—	—	—	—
	Others(*3)	6,385	6,702	1,457	17,684	43	43	1,100	1,100	1,700	1,700
			<u>21,439</u>	<u>103,227</u>	<u>19,643</u>	<u>54,511</u>	<u>3,788</u>	<u>4,352</u>	<u>1,100</u>	<u>1,100</u>	<u>1,700</u>
Other	SK Engineering & Construction Co., Ltd.	1,972	3,030	963	1,162	645	645	—	—	—	—
	SK Networks Co., Ltd.	2,676	5,187	259,401	533,495	—	16	—	—	—	—
	SK Networks service Co., Ltd.	504	786	22,322	44,830	544	609	—	—	—	—
	SK Telesys Co., Ltd.	67	133	9,019	18,356	28,208	54,593	—	—	—	—
	SK Energy Co., Ltd.	1,511	2,748	302	455	—	—	—	—	—	—
	SK Innovation Co., Ltd.	2,902	4,536	292	475	—	—	—	—	—	—
	SK TNS Co., Ltd	25	47	12,796	17,385	76,765	91,341	—	—	—	—
	SK infosec Co., Ltd.	2	26	7,280	21,312	2,901	3,972	—	—	—	—
	Others	6,557	13,440	272	4,809	2,233	2,316	—	—	—	—
			<u>16,216</u>	<u>29,933</u>	<u>312,647</u>	<u>642,279</u>	<u>111,296</u>	<u>153,492</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>₩ 43,110</u>	<u>144,163</u>	<u>472,432</u>	<u>1,144,909</u>	<u>153,973</u>	<u>207,430</u>	<u>1,100</u>	<u>1,100</u>	<u>1,700</u>	<u>1,700</u>

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

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27. Transactions with Related Parties, Continued

- (*2) Operating revenue and others include ₩73,050 million of dividends received from SK Hynix Inc. which was deducted from the investment in associates.
- (*3) Operating revenue and others include ₩6,082 million of dividends received from the Korea IT Fund.
- (4) Account balances with related parties as of June 30, 2017 and December 31, 2016 are as follows:

(In millions of won)

Scope	Company	June 30, 2017		
		Loans	Accounts receivable - trade and others	Accounts payable - other and others
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩ —	847	119,481
Associates	HappyNarae Co., Ltd.	—	103	6,503
	F&U Credit information Co., Ltd.	—	103	1,386
	SK hynix Inc.	—	22,121	119
	Wave City Development Co., Ltd.	—	38,412	—
	Daehan Kanggun BcN Co., Ltd.(*)	22,147	—	—
	KEB HanaCard Co., Ltd.	—	1,493	7,178
	Xian Tianlong Science and Technology Co., Ltd.	8,287	—	—
Others	813	1,846	1,975	
		<u>31,247</u>	<u>64,078</u>	<u>17,161</u>
Other	SK Engineering & Construction Co., Ltd.	—	1,455	155
	SK Networks Co., Ltd.	—	3,185	138,214
	SK Networks Services Co., Ltd.	—	1	3,089
	SK Telesys Co., Ltd.	—	28	32,995
	SK TNS CO., LTD.	—	8	37,339
	SK Innovation Co., Ltd.	—	3,470	348
	SK Energy Co., Ltd.	—	3,956	191
	Others	—	3,815	29,144
		<u>—</u>	<u>15,918</u>	<u>241,475</u>
		<u>₩ 31,247</u>	<u>80,843</u>	<u>378,117</u>

- (*) As of June 30, 2017, the Parent Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as allowances for doubtful accounts.

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27. Transactions with Related Parties, Continued

(4) Account balances with related parties as of June 30, 2017 and December 31, 2016 are as follows, Continued:

(In millions of won)

Scope	Company	December 31, 2016		
		Accounts receivable		Accounts payable
		Loans	Accounts receivable - trade and others	Accounts payable - other and others
Ultimate Controlling				
Entity	SK Holdings Co., Ltd.	₩ —	3,519	149,574
Associates	HappyNarae Co., Ltd.	—	18	21,063
	F&U Credit information Co., Ltd.	—	34	1,328
	SK hynix Inc.	—	22,379	92
	Wave City Development Co., Ltd.	—	38,412	—
	Daehan Kanggun BcN Co., Ltd.(*)	22,147	—	—
	KEB HanaCard Co., Ltd.	—	1,619	7,676
	Xian Tianlong Science and Technology Co., Ltd.	8,287	—	—
	Others	813	4,191	945
		<u>31,247</u>	<u>66,653</u>	<u>31,104</u>
Other	SK Engineering & Construction Co., Ltd.	—	1,808	4,975
	SK Networks. Co., Ltd.	—	3,254	247,728
	SK Networks Services Co., Ltd.	—	13	13,913
	SK Telesys Co., Ltd.	—	20	24,918
	SK TNS Co., Ltd.	—	3	68,276
	SK Innovation Co., Ltd.	—	1,350	892
	SK Energy Co., Ltd.	—	1,213	113
	Others	—	4,552	30,218
		<u>—</u>	<u>12,213</u>	<u>391,033</u>
		<u>₩31,247</u>	<u>82,385</u>	<u>571,711</u>

- (*) As of December 31, 2016, the Parent Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as allowances for doubtful accounts.
- (5) SK m&service Co., Ltd., a subsidiary of the Parent Company, has entered into a performance agreement with SK Energy Co., Ltd. and provided a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (6) As of June 30, 2017, the Group provides with USD12,240,000 and USD12,000,000 of payment guarantees for the borrowings of the joint ventures of the Group, the Celcom Planet and PT XL Planet Digital, respectively.
- (7) There were additional investments in associates and joint ventures during the year ended December 31, 2016 as presented in Note 8.



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28. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of ₩5,791 million as of June 30, 2017.

SK Broadband Co., Ltd. has guaranteed for employees' borrowings relating to employee stock ownership program and provided short-term financial instruments amounting to ₩673 million as collateral as of June 30, 2017.

(2) Legal claims and litigations

As of June 30, 2017, the Group 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 Group has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

(3) Accounts receivables from sale of handsets

The sales agents of the Parent Company sell handsets to the Parent Company's subscribers on an installment basis. During the six-month period ended June 30, 2017, the Parent Company entered into a comprehensive agreement to purchase the accounts receivables from handset sales with agents 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 ₩671,434 million as of June 30, 2017 (₩681,466 million as of December 31, 2016), which the Parent Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable – other and long-term accounts receivable – other.

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29. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2017	June 30, 2016
Interest income	₩ (39,968)	(24,395)
Dividends	(10,584)	(14,842)
Gain on foreign currency translation	(4,178)	(1,036)
Gain relating to financial liabilities at fair value through profit or loss	—	(177)
Gain on disposal of long-term investments securities	(2,762)	(316,902)
Gain on valuation of derivatives	(909)	(3,684)
Gain on sale of accounts receivable - trade	(9,090)	(7,855)
Gain relating to investments in associates and joint ventures, net	(878,250)	(116,808)
Gain on disposal of property, equipment and intangible assets	(7,976)	(2,248)
Other income	—	(596)
Interest expenses	149,486	142,409
Loss on foreign currency translation	4,968	1,684
Loss on disposal of long-term investments securities	36,024	134
Other finance costs	12,523	—
Loss on settlement of derivatives	8,910	319
Loss relating to financial liabilities at fair value through profit or loss	529	—
Loss on sale of accounts receivable - trade	4,955	—
Bad debt for accounts receivable – trade	18,430	22,643
Income tax expense	268,654	237,586
Depreciation and amortization	1,598,776	1,501,554
Impairment loss on property and equipment and intangible assets	2,451	797
Loss on disposal of property and equipment and intangible assets	13,174	18,199
Retirement benefit expenses	58,878	58,390
Share option	145	—
Loss on impairment of investment assets	6,416	11,868
Bad debt for accounts receivable - other	2,191	3,409
Other expenses	767	14,798
	<u>₩ 1,233,560</u>	<u>1,525,247</u>



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29. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2017	June 30, 2016
Accounts receivable - trade	₩ (1,159)	134,035
Accounts receivable - other	130,403	(600,541)
Accrued income	38	444
Advance payments	(1,401)	8,321
Prepaid expenses	(9,014)	(9,141)
Value-Added Tax refundable	2,824	(192)
Inventories	(3,008)	322
Long-term accounts receivable - other	42,280	(45,498)
Guarantee deposits	8,808	3,813
Accounts payable - trade	(105,055)	(46,359)
Accounts payable - other	(409,289)	89,897
Advanced receipts	(8,058)	11,066
Withholdings	131,065	84,678
Deposits received	(2,574)	(2,561)
Accrued expenses	(6,119)	99,147
Value-Added Tax payable	10,587	6,736
Unearned revenue	(6,453)	(18,580)
Provisions	(314)	488
Long-term provisions	(3,439)	(20)
Plan assets	12,897	(2,384)
Retirement benefit payment	(26,201)	(20,553)
Others	(1,606)	429
	<u>₩ (244,788)</u>	<u>(306,453)</u>

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2017 and 2016 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2017	June 30, 2016
Decrease in accounts payable - other relating to the acquisition of property and equipment and intangible assets	(363,155)	(258,031)

30. Interim dividends

On July 28, 2017, the Board of Directors of the Parent Company resolved to pay interim cash dividends of ₩1,000 per share totaling ₩70,609 million (market dividend rate: 0.40%). The ex-dividend date was June 30, 2017 and the interim dividends are expected to be paid on or before August 28, 2017.