

SEMI-ANNUAL BUSINESS REPORT

(From January 1, 2018 to June 30, 2018)

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" 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.

I. COMPANY OVERVIEW

1. Company Overview

The Company's semi-annual business report for the six months ended June 30, 2018 includes the following consolidated subsidiaries:

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2017 (millions of Won)	Material Subsidiary*
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	455,685	Material
SK M&Service Co., Ltd.	Feb. 10, 2000	Online information services	113,515	Material
SK Communications Co., Ltd.	Sept. 19, 1996	Internet portal and other Internet information services	90,923	Material
SK Broadband Co., Ltd.	Sept. 5, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,802,349	Material
Home & Service Co., Ltd.	June 5, 2017	Information and telecommunication network maintenance	83,698	Material
SK Stoa Co., Ltd.	December 1, 2017	Data broadcasting and commercial retail platform services	42,898	
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	250,747	Material
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	506,883	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	77,681	Material
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	65,406	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	87,000	Material
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	1,534,866	Material
NSOK Co., Ltd.	Jun. 12, 2008	Security system services	94,114	Material
Iriver Ltd.	Jul. 12, 2000	Audio device manufacturing	130,878	Material
Iriver Enterprise Ltd.	Jan. 14, 2014	Management of Chinese subsidiary	36,465	
Iriver Inc.	Feb. 15, 2007	North America marketing and sales	1,498	
Iriver China Co., Ltd.	Jun 24, 2004	Electronic device manufacturing	3,401	
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	43	
groovers Japan Co., Ltd.	Feb. 25, 2015	Contents and information distribution	1,232	
S.M. Life Design Company Japan Inc.	June 25, 2008	Japanese merchandise business	6,366	
S.M. Mobile Communications JAPAN Inc.	May 6, 2016	Contents and information distribution	125	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment (holding company)	43,290	
SK Global Healthcare Business Group, Ltd.	Sept. 14, 2012	Investment (SPC)	14,033	
SK Planet Japan, K. K.	Mar. 14, 2012	Digital contents sourcing services	2,945	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	4,135	

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2017 (millions of Won)	Material Subsidiary*
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	87	
SKP GLOBAL HOLDINGS PTE, LTD.	Aug. 10, 2012	Investment (holding company)	41,320	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	32,923	
SKP America LLC	Jan. 27, 2012	Digital contents sourcing services	412,251	Material
YTK Investment Ltd.	Jul. 1, 2010	Investment	3,169	
Atlas Investment	Jun. 24, 2011	Investment	71,908	
SK Telecom Innovation Fund, L.P.	Jan. 15, 2016	Investment	33,084	
SK Telecom China Fund I L.P.	Sept. 14, 2011	Investment	19,666	
SK TechX Co., Ltd.	Mar. 1, 2016	Telecommunication services	237,700	Material
Onestore Co., Ltd.	Mar. 1, 2016	Contents distribution	104,891	Material
Shopkick Management Company, Inc.	Oct. 9, 2014	Investment	338,650	Material
Shopkick, Inc.	Jun. 1, 2009	Mileage based e-commerce application development	37,336	
FSK L&S Co., Ltd.	Oct. 20, 2016	Logistics consulting	33,175	
FSK L&S (Shanghai) Co., Ltd.	Jul. 29, 2010	International logistics	5,327	
SK Telecom Japan Inc.	Mar. 1, 2018	Digital contents sourcing services	10,010	
Groovers Co., Ltd.	Feb. 15, 2000	Contents distribution	534	
id Quantique Ltd.	Oct. 29, 2001	QRNG technology development	8,710	

※ Material Subsidiary means a subsidiary with total assets of W on 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.

Changes in subsidiaries during the six months ended June 30, 2018 are set forth below.

Change	Name	Remarks
Additions	FSK L&S Co., Ltd.	Newly acquired by the Company
	FSK L&S (Shanghai) Co., Ltd.	Newly acquired by the Company
	SK Telecom Japan Inc.	Newly established by the Company
	Groovers Co., Ltd.	Iriver Ltd. acquired control by acquiring additional shares during this period
	id Quantique Ltd.	Newly acquired by the Company
Subtractions	11street (Thailand) Co., Ltd.	Disposed of invested shares
	HelloNature Co., Ltd.	Lost control due to capital increase through a third-party allotment

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. The Company continues to maintain its reputation as the unparalleled premium network operator in the 2G, 3G and LTE markets on the basis of its technological leadership and network management technology. In addition, the Company is leading the process of global technology standardization with the aim of being the world's first to commercialize 5G 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 11st, an e-commerce platform service that connects various sellers and purchasers through its online and mobile platforms, and "Shocking Deal," a mobile commerce curation service. In addition, the Company has rapidly grown into a top tier player in Turkey, Malaysia and Thailand 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 and 11Pay. 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 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 is also engaged in display advertising and search engine-based advertising and provides contents and other services. Display advertising provides exposure to the advertiser’s brand in the form of flash media, images or videos. Search engine-based advertising provides exposure through the search results of specific keywords entered in the NATE search engine, and is utilized mostly by small and medium-sized advertisers. The Company also derives revenue by providing contents and other services.

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

E. Credit Ratings

(1) Corporate bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
February 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 27, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
May 11, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
May 12, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
February 6, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 10, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 11, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 16, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 29, 2018	Hybrid securities	AA+ (Stable)	Korea Ratings	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.
- * Rating definition: "AA" - The certainty of principal and interest payment is extremely high with very low investment risk, but has slightly inferior factors compared to "AAA" rating.

(2) Commercial paper ("CP")

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
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

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
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
October 30, 2017	CP	A1	Korea Ratings	Regular rating
October 30, 2017	CP	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 30, 2017	Short-term bond	A1	Korea Ratings	Regular rating
October 30, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
April 10, 2018	CP	A1	Korea Investors Service, Inc.	Current rating
April 10, 2018	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 11, 2018	CP	A1	Korea Ratings	Current rating
April 11, 2018	Short-term bond	A1	Korea Ratings	Current rating
April 16, 2018	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 16, 2018	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
March 30, 2016	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
July 20, 2016	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
October 24, 2016	Bonds denominated in foreign currency	A- (Stable)	Fitch Inc.	Regular rating
October 23, 2017	Bonds denominated in foreign currency	A- (Stable)	Fitch Inc.	Regular rating
April 8, 2018	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Current rating
April 9, 2018	Bonds denominated in foreign currency	A3 (Stable)	Moody's Investors Service	Current rating
May 8, 2018	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
May 10, 2018	Bonds denominated in foreign currency	A3 (Negative)	Moody's Investors Service	Regular rating

(4) Listing (registration or designation) of Company's shares and special listing status

Listing (registration or designation) of stock	Date of listing (registration or designation)	Special listing	Special listing and applicable regulations
KOSPI Market of Korea Exchange	November 7, 1989	Not applicable	Not applicable

2. Company History

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.

December 2017: Comprehensive exchange of shares of SK Telink following which SK Telink became a wholly-owned subsidiary of the Company.

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. At the 34th General Meeting of Shareholders held on March 21, 2018, Young Sang Ryu was elected as an inside director and Youngmin Yoon was elected as an independent director and member of the audit committee of the Company’s board of directors.

C. Change in Company Name

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.

On March 23, 2017, Neosnetworks Co., Ltd., one of the Company’s subsidiaries, changed its name to NSOK Co., Ltd., from Neosnetworks Co., Ltd., in accordance with a resolution at its general meeting of shareholders.

D. Mergers, Acquisitions and Restructuring

(1) 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.

(2) 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.

(3) 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%.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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

(9) 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.

(10) Additional capital raise by NanoEnTek Inc.

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

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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, 2018, the Company had a 65.5% interest in Onestore.

(16) 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.

(17) 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%. Service of the everyday finance platform Finng officially launched in the third quarter of 2017.

(18) 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%.

(19) 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, 2018.

(20) 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.

(21) Acquisition of shares of Iriver Ltd.

The Company acquired 4,699,248 shares of its subsidiary Iriver Ltd. at a purchase price of Won 5,320 in connection with a capital contribution. The Company's equity interest in Iriver Ltd. following the acquisition is 45.9%. See "Report on Important Business Matters (Decision on Capital Increase)" filed on July 17, 2017 by Iriver Ltd. for more information.

(22) Acquisition of newly issued shares of SK China Company Limited ("SK China")

On July 28, 2017, the Company acquired newly issued shares of SK China to find investment opportunities in ICT and other promising areas of growth in China. In exchange for newly issued shares of SK China, the Company contributed its full equity interest in each of SKY Property Management Limited ("SKY") and SK Industrial Development China Co., Ltd. ("SK IDC") as well as cash, equal to the following amounts: 1) SKY stock: USD 276,443,440.64, 2) SK IDC stock: USD 108,072,007.67 and 3) Cash: USD 100,000,000.00. As a result of the acquisition, the Company holds 10,928,921 shares and a 27.27% of equity interest in SK China. See "Report on Decision on Acquisition of SK China Shares" filed by the Company on July 28, 2017 for more information about this transaction.

(23) Exchange of shares of SK Telink

On September 28, 2017, the Company disclosed a resolution approving the payment of cash consideration in lieu of the issuance of shares of SK Telecom in an exchange of shares of SK Telink. The amount of cash consideration was based on a share exchange ratio of 1:1.0687714. The exchange was completed on December 14, 2017, upon which exchange SK Telink became a wholly-owned subsidiary of the Company.

(24) Acquisition of shares of FSK L&S Co., Ltd.

On February 6, 2016, the Company acquired 2,415,750 shares of FSK L&S Co., Ltd. at a purchase price of Won 17.8 billion from SK Holdings to utilize its logistics sharing infrastructure with its counterparties and pursue new business opportunities. As a result of the acquisition, the Company had a 60% equity interest in FSK L&S Co., Ltd.

(25) Acquisition of shares of id Quantique SA

In order to increase the value of the Company by enhancing its position as the top MNO through utilizing quantum cryptography and by generating returns from its global business, the Company acquired an additional 41,157,506 shares of id Quantique SA on April 30, 2018. As a result, the Company owns a total of 58.1% of the issued and outstanding shares (44,157,506 shares), and has acquired control, of id Quantique SA.

(26) Acquisition of shares of Siren Holdings Korea Co., Ltd.

The Company decided to acquire shares of Siren Holdings Korea Co., Ltd. (“SHK”), which wholly owns ADT CAPS Co., Ltd. (“ADT CAPS”), in order to strengthen its security business and expand its residential customer base. The number of SHK’s shares to be acquired by the Company refers to the number of shares after the following steps have been taken, which are expected to occur within approximately two months from the date of the purchase agreement, rather than the board approval date: Siren Investments Korea Co., Ltd. will be merged with and into SHK with SHK as the surviving entity, following which CAPSTEC Co., Ltd. and ADT Security Co., Ltd., which are subsidiaries of ADT CAPS, will become subsidiaries of SHK. See “Report on Decision on Acquisition of Shares of Siren Holdings Korea Co., Ltd.” filed on May 8, 2018 for more information.

[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.

(5) Spin-off

On August 16, 2017, SK Broadband's board of directors resolved to approve the spin-off of its T-commerce subsidiary to enhance the competitiveness and managerial efficiency of its T-commerce business (data broadcasting and commercial retail platform service through TV home shopping channels) through a spin-off and subsequent establishment of a subsidiary pursuant to Article 530-2 and 530-12 of the Korean Commercial Code, with both companies from the simple vertical spin-off remaining as existing companies. The spin-off was effective as of December 1, 2017, and the subsidiary was capitalized at Won 15 billion (3,000,000 shares with par value of Won 5,000 per share), with SK Broadband holding a 100% equity interest. The Korea Fair Trade Commission approved the subsidiary's incorporation as an SK affiliate on January 1, 2018, from which arises a duty to report to the Fair Trade Commission.

[SK Planet]

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 for Won 7.5 billion to SK M&Service Co., Ltd. as of July 1, 2017.

On July 17, 2017, the board of directors of SK Planet resolved to (1) spin-off SK Planet's advertising agency business as a newly established company, SM Contents & Communications, in order to strengthen the competitiveness of the business for future growth, which spin-off was effective as of October 1, 2017 and (2) sell 100% of its shares of SM Contents &

Communications to SM Culture & Contents Co., Ltd. to further concentrate business capabilities and efficiently allocate management resources. The closing date of the sale transaction was October 24, 2017.

On June 19, 2018, the board of directors of SK Planet resolved to spin off its 11st business (including Scinic, Gifticon and 11pay) into a newly established company, effective as of September 1, 2018, in order to enhance the level of specialization and competitiveness of its businesses by strengthening their core competencies and obtain further growth potential of the businesses. See the “Report on Decision on Spin-off of SK Planet’s 11st Business” filed on June 19, 2018 for more information.

On June 19, 2018, the board of directors of SK Planet resolved to merge SK TechX Co., Ltd. (“SK TechX”) with and into SK Planet, effective as of September 1, 2018, with a merger ratio between SK Planet and SK TechX of 1:3.0504171, in order to enhance management efficiency and create synergies. See the “Report on Decision on Merger of SK TechX into SK Planet” filed on June 19, 2018 for more information.

[SK Telink]

(1) Acquisition of shares of NSOK

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.

(2) Comprehensive exchange of shares

On September 28, 2017, SK Telink’s board of directors approved a comprehensive exchange of shares with SK Telecom, pursuant to which SK Telecom would acquire SK Telink’s remaining outstanding shares for cash consideration in lieu of issuance of shares of SK Telecom. The share exchange agreement was subsequently approved at the extraordinary general meeting of shareholders held on November 9, 2017.

Following the exchange, there were no changes to SK Telecom’s share ownership interest level or to management structure, and SK Telecom and SK Telink will remain as corporate entities. SK Telink became a wholly-owned subsidiary of SK Telecom and remains as an unlisted corporation, while SK Telecom remains as a listed corporation.

※ See “Report on Cash Consideration for Shares of SK Telink Co., Ltd.” filed on September 29, 2017 for more information about this transaction.

[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 Joeun 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) Acquisition of shares of S.M. Life Design Company Japan Inc.

Pursuant to the resolution of its board of directors on July 17, 2017, Iriver approved a contract to acquire a total of 1,000,000 shares of S.M. Life Design Company Japan Inc. (a 100% equity interest) from S.M. Entertainment Japan Co., Ltd. with the purposes of entering foreign markets and maximizing business synergy. Iriver acquired control of S.M. Life Design Company Japan Inc. upon its completion of payment for the shares on September 1, 2017.

(3) Merger of S.M. Mobile Communications JAPAN Inc.

Pursuant to the resolution of its board of directors on July 17, 2017, Iriver decided to merge with S.M. Mobile Communications JAPAN Inc., a contents and information distribution company, with the purpose of reinforcing its contents based device business and enhancing managerial efficiency. As of October 1, 2017, Iriver merged S.M. Mobile Communications JAPAN Inc. into it with a merger ratio of 1:1.6041745, based on which Iriver issued 4,170,852 new common shares.

(4) Acquisition of shares of Groovers Co., Ltd.

On February 23, 2018 the Company acquired 414,000 additional shares (a 55.8% equity interest) of Groovers Co., Ltd., which provides high quality sound services such as FLAC (Free Lossless Audio Codec), MQS (Mastering Quality Sound)

and DSD (Direct Stream Digital) from NHN Bugs Corp. and individuals. As a result, the Company acquired control of Groovers Co., Ltd. as its equity interest therein increased from 44.2% to 100%.

(5) Acquisition of important assets (Supply and distribution rights for music and digital contents)

On February 28, 2018, the Company entered into an agreement with S.M. Entertainment Co., Ltd. to acquire supply and distribution rights for music and digital contents of S.M. Entertainment Co., Ltd., JYP Entertainment Corporation and Big Hit Entertainment. Through this arrangement, the Company plans to increase sales by entering the music and sound recording industries and to create synergies through strategic alliances.

[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).

On November 10, 2017, the Company issued three tranches of fixed-rate unsecured bonds in the principal amounts of Won 100 billion (with an annual interest rate of 2.388% and a maturity date of November 10, 2020), Won 80 billion (with an annual interest rate of 2.634% and a maturity date of November 10, 2022), and Won 100 billion (with an annual interest rate of 2.840% and a maturity date of November 10, 2027).

On February 20, 2018, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 110 billion (with an annual interest rate of 2.572% and a maturity date of February 20, 2021), Won 100 billion (with an annual interest rate of 2.806% and a maturity date of February 20, 2023), Won 200 billion (with an annual interest rate of 3.004% and a maturity date of February 20, 2028) and Won 90 billion (with an annual interest rate of 3.016% and a maturity date of February 20, 2038).

(2) Issuance of hybrid securities

In June 2018, the Company issued an aggregate of Won 400 billion principal amount of hybrid securities in the form of two series of unguaranteed subordinated bonds, Won 300 billion of which have an annual interest rate of 3.70% and Won 100 billion of which have an annual interest rate of 3.65%. Both of such interest rates are based on the five-year Korean government bond yield plus a spread. For both series of the hybrid securities, 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 hybrid securities are subordinated bonds which take priority over common shares upon bankruptcy or liquidation. The maturity date of the hybrid securities is June 7, 2078, which can be extended by the Company without any notice or announcement.

[SK Broadband]

SK Broadband acquired subscribership 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 subscribership, 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, 2018)

(Unit: in shares)

Classification	Share type			Remarks
	Common shares	Preferred shares	Total	
I. Total number of authorized shares	220,000,000	—	220,000,000	—

(As of June 30, 2018)

(Unit: in shares)

Classification	Share type			Remarks
	Common shares	Preferred shares	Total	
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, 2018)

(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	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, 2018)

(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 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.
- (2) Distribution of interim dividends of Won 1,000 was approved during the 393rd Board of Directors' Meeting on July 28, 2016.
- (3) 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.
- (4) Distribution of interim dividends of Won 1,000 was approved during the 404th Board of Directors' Meeting on July 28, 2017.
- (5) Distribution of cash dividends was approved during the 34th General Meeting of Shareholders held on March 21, 2018.
 - 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 416th Board of Directors' Meeting on July 26, 2018.

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 six months ended June 30, 2018	As of and for the year ended December 31, 2017	As of and for the year ended December 31, 2016
Par value per share (Won)	500	500	500
(Consolidated) Net income	1,611,611	2,599,829	1,675,967
Net income per share (Won)	22,705	36,582	23,497
Total cash dividend	70,609	706,091	706,091
Total stock dividends	—	—	—
(Consolidated) Percentage of cash dividend to available income (%)	4.4	27.2	42.1
Cash dividend yield ratio (%)	0.4	3.6	4.3
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.

Classification	Company name	Description of business
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
	Service Ace Co., Ltd.	Management and operation of customer centers
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 Various media-related services, such as channel management, including video on demand, and mobile IPTV services
	SK Telink Co., Ltd.	International wireless direct-dial "00700" services, voice services using Internet protocol and Mobile Virtual Network Operator ("MVNO") business
	Home & Service Co., Ltd.	System maintenance of high-speed Internet, IPTV and fixed-line services
Other business	SK Planet Co., Ltd.	Various platform services such as 11st, Syrup, OK Cashbag in the commerce area
	SK TechX Co., Ltd.	Develop and supply system software for SK Telecom
	Onestore Co., Ltd.	Operate app store
	SK Communications Co., Ltd.	Integrated portal services through NATE and instant messaging services through NATE-ON
	SK M&Service Co., Ltd.	System software development, distribution and technical support services and other online information services
	Iriver Ltd.	Audio and video device manufacturing
	NSOK Co., Ltd.	Security system services
	SK Planet America LLC	System software development, distribution and investments
	Shopkick Management Company, Inc.	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, the Company has provided 4.5G service at the speed of 700Mbps to 900Mbps. Since early 2018, the Company was the first to start providing LTE service with a speed of up to 1 Gbps. Such achievements were the building blocks towards the Company’s LTE penetration reaching 78.1% as of June 30, 2018.

B. Growth Potential

(Unit: in 1,000 persons)

Classification		As of June 30,	As of December 31,	
		2018	2017	2016
Number of subscribers	SK Telecom	27,221	26,753	26,428
	Others (KT, LGU+)	29,253	28,375	27,018
	MVNO	7,825	7,523	6,841
	Total	64,299	62,651	60,287

* Source: Wireless subscriber data from the Ministry of Science and ICT (“MSIT”) as of June 30, 2018.

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,		
	2018	2017	2016	2015
Mobile communication services	47.78	48.20	49.09	49.41

* Source: Wireless subscriber data from the MSIT as of June 30, 2018.

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, for the second quarter of 2018, the Company recorded Won 4,154 billion in revenue and Won 347 billion in operating income on a consolidated basis and Won 2,942 billion in revenue and Won 368 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 especially through the reinforcement of marketing that is focused on innovation in increasing customer value. In the second quarter of 2018, the average monthly churn rate was 1.2%. The number of subscribers (including MVNO subscribers) as of June 30, 2018 was 30.7 million, an increase of approximately 520,000 since December 31, 2017. In particular, the number of LTE subscribers as of June 30, 2018, was 24.0 million, an increase of approximately 1,120,000 since December 31, 2017, solidifying the Company’s market leadership. In addition, the Company continued to sell products targeted towards second devices such as the Cookiz Phone, T Outdoor and T Pocket-fi, 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. In the first quarter of 2018, the Company commenced providing LTE service of up to 1 Gbps by utilizing five-band carrier aggregation technology and 4T4R technology. 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 21 years, 20 years and 18 years, respectively. The Company received the highest level of evaluation in 2017 by the Korea Commission for Corporate Partnership for the sixth 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, ‘SK 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 including foreign workers, middle-aged adults and students. An MVNO leases the networks of an 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)

Classification	As of June 30,	As of December 31,		
	2018	2017	2016	
Fixed-line Subscribers	High-speed Internet	21,314	21,196	20,556
	Fixed-line telephone	14,694	15,039	15,746
	IPTV (real-time)	14,039	13,314	11,850

* Source: MSIT website.

* The number of IPTV subscribers is based on the relevant report released by the MSIT on May 10, 2018 and the number of subscribers as of June 30, 2018 was calculated based on the average number of subscribers in the last six months of 2017.

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.

D. Market Shares

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

(Unit: in percentages)

Classification	As of June 30,	As of December 31,	
	2018	2017	2016
High-speed Internet (including resales)	25.9	25.7	25.3
Fixed-line telephone (including Voice over Internet Protocol ("VoIP"))	16.8	16.9	16.9
IPTV	30.5	30.6	30.7

* Source: MSIT 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 market share of IPTV subscribers is based on the relevant report released by the MSIT on May 10, 2018 and the market share as of June 30, 2018 was calculated based on the average number of subscribers in the last six months of 2017.

E. Business Overview and Competitive Strengths

For the second quarter of 2018, the Company recorded Won 781.6 billion in revenue, Won 30.4 billion in operating income and Won 8.5 billion in profit for the period for its fixed-line business on a consolidated basis. The Company's revenue grew compared to the previous quarter and the same quarter of the previous year, driven by an increase in revenue from IPTV services due to a growth in the number of subscribers and an increase in platform revenue. The number of subscribers to each of its high-speed Internet, residential fixed-line telephones, VoIP services and IPTV services was 5.52 million, 2.32 million, 1.69 million and 4.55 million, respectively (resulting in the total number of telephone subscribers being 4.01 million subscribers). In addition, SK Broadband was awarded first place for eight consecutive years, including in 2018, in the survey by the National Customer Satisfaction Index for its high-speed internet and IPTV services. This is the result of its continuous efforts to deliver new value to its customers through innovation.

In the case of high-speed Internet, the Company has continued to increase the proportion of subscribers of premium services, including its Giga Internet service, by strengthening its marketing efforts based on quality and customer value improvements. With the launch of its 2.5 Giga Internet service, the Company enhanced customer satisfaction levels as well as service value through services of various speeds. The Company was also able to provide enhanced customer experience and strengthen its brand image through the launch of products that meet customers' needs, such as Giga+Wifi packaged products.

With continued increase in the number of subscribers and growth in platform revenue, such as transmission fees, the Company's IPTV service business continued its steady growth, with revenue for the second quarter of 2018 increasing by more than 20% compared to the second quarter of 2017. In addition, the Company's IPTV service has continued to improve its competitiveness through its further offerings of differentiated contents and services, such as AI STB with a voice recognition function, new monthly fixed-fee products that meet customers' needs, expanded children's contents and the launch of two-way children's services.

The number of Oksusu users has increased due to a boost in its marketing centered on sports programs, such as professional baseball and the World Cup. Oksusu has also reinforced the competitiveness of its contents by producing differentiated original contents. SK Stoa improved its broadcast quality through the opening of a media center and internalization of its broadcast production capabilities, and continued its revenue growth by strengthening mobile sales and expanding direct-purchase products.

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 as a comprehensive ICT service provider, including international satellite calling services (internet, wireless and fixed-line calling services on ships, aircraft and in polar regions), 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 11st, Syrup and OK Cashbag, thereby ultimately increasing its enterprise value.

(1) Commerce business

11st, 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, 11st 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 11st's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2017, which has been actively engaged in such business since then.

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.

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. In September 2016, the Company launched T-Map x NUGU, which provides a new form of intelligent car infotainment service in collaboration with the Company's artificial intelligence ("AI") service, NUGU. The Company has continued to secure subscribers by differentiating its product T-map x NUGU as a unique "artificial intelligence driving assistant." The Company has also focused on providing effective "info-tainment" platforms to commercial vehicle businesses as well as providing localized content, including 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, launched Onestore 2.0, which showcases the particular benefits of the application platform. The Company intends to further develop Onestore into a personalized gateway and mobile playground through enhanced product and brand competitiveness, 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

The Company's instant messenger service, "Nate-On," had a market share of 11.7% in the instant messenger market in Korea with 2.1 million net users during the month of June 30, 2018. "Nate," the Company's Internet search portal service, realized a page-view market share of 3.4% as of June 2018. (Source: Korean Click, based on fixed-line access)

2. 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	6,248,843(75%)
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, SK 7mobile and others	1,407,792 (17%)

(Unit: in millions of Won and percentages)

Business	Major Companies	Item	Major Trademarks	Consolidated Sales Amount (ratio)
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	11st, OK Cashbag, NATE, Onestore and others	679,226 (8%)
Total				8,335,861 (100%)

[Wireless Business]

As of June 30, 2018, 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 business services and other services for both individual and corporate customers. As of June 30, 2018, SK Broadband's revenue (on a consolidated basis) comprised of 26.3% broadband Internet, 2.2% home telephony services, 32.1% corporate business services, 38.2% TV services and 1.2% 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, 11st, 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, 2018	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	4,980	—
Total					21,000*	4,980	—

* On February 5, 2018, the Company disclosed its 2018 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	2018	2019	2020	
Network/Common	Network, systems and others	21,000	21,000	To be determined	To be determined	Upgrades to the existing services and expanded provision of services including wideband LTE-A
Total		21,000	21,000	To be determined	To be determined	

[Fixed-line Business]

A. Investment in Progress

In 2018, the Company plans to make a similar level of capital expenditures to expand network coverage and upgrade its media platform compared to 2017, but does not expect such expenditures to have a material adverse effect on the Company's financial structure through improvements in investment efficiency.

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Amount already invested	Future investment	
High-speed Internet	Upgrade/ New installation	Six months June 30, 2018	Backbone and subscriber network/ others	Expand subscriber networks and facilities	822	To be determined	
Fixed-line telephone					8		
IPTV					616		
Corporate Business				Increase leased-line and integrated information system	423		
Backbone network					Additional backbone equipment and lines		91
IT infrastructure							Upgrade IT infrastructure and network management system
Others					Increase network equipment and NW security		65
Total					2,072		

4. Revenues

(Unit: in millions of Won)

Business	Sales type	Item		For the six months ended June 30, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Wireless	Services	Mobile communication	Export	26,748	20,507	17,393
			Domestic	6,222,095	13,241,628	12,987,516
			Subtotal	6,248,843	13,262,135	13,004,909
Fixed-line	Services	Fixed-line, B2B data, High-speed Internet, TV	Export	44,440	84,395	92,630
			Domestic	1,363,352	2,639,756	2,558,563
			Subtotal	1,407,792	2,724,151	2,651,193
Other	Services	Display and Search ad., Content	Export	23,227	41,233	42,205
			Domestic	655,999	1,492,494	1,393,509
			Subtotal	679,226	1,533,727	1,435,714
Total			Export	94,414	146,135	152,228
			Domestic	8,241,447	17,373,878	16,939,588
			Total	8,335,861	17,520,013	17,091,816

* Revenues for the years ended December 31, 2017 and 2016 were recorded based on previously applicable accounting standards of K-IFRS 1018 and K-IFRS 1039.

(Unit: in millions of Won)

For the six months ended June 30, 2018	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation	
Total sales	7,039,636	1,880,222	834,582	9,754,440	(1,418,579)	8,335,861	
Internal sales	790,793	472,430	155,356	1,418,579	(1,418,579)	—	
External sales	6,248,843	1,407,792	679,226	8,335,861	—	8,335,861	
Operating income (loss)	713,895	72,351	558,494	1,344,740	—	1,344,740	
Profit (loss) for the period							2,070,032
Total assets	27,640,619	4,702,482	2,514,883	34,857,984	1,478,773	36,336,757	
Total liabilities	10,719,943	2,814,886	1,100,904	14,635,732	792,276	15,428,008	

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, 2018 are as follows:

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
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 four other banks	Jul. 20, 2007 – Jul. 20, 2027
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. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$57,535,000)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 – Apr. 29, 2022
Jul. 30, 2014	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 20,417 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 – Jul. 30, 2019
Dec. 20, 2016	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 42,875 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 20, 2016 – Dec. 20, 2021
Jan. 30, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 28,553 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 – Jul. 30, 2019
Mar. 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	Mar. 31, 2017 – Mar. 31, 2020
Dec. 21, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 50,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 5, 2017 – Dec. 21, 2022
Apr. 16, 2018	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$500,000,000)	Foreign currency risk	Cross currency swap	The Export-Import Bank of Korea and three other banks	Apr. 16, 2018 – Apr. 16, 2023

B. Treatment of Derivative Instruments on the Balance Sheet

As of June 30, 2018, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments were as follows:

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

Hedged item	Fair value			
	Cash flow hedge	Trading purposes	Embedded derivatives	Total
Current assets:				
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	15,547	-	-	15,547
Non-current assets:				
Structured bond (face value of Won 50,000 million)	-	9,950	-	9,950
Foreign unsecured bond (U.S. dollar denominated bonds face value of US\$400,000,000)	12,636	-	-	12,636
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 42,875 million)	200	-	-	200
Floating-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	6,628	-	-	6,628
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$500,000,000)	22,644	-	-	22,644
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 20,417 million)	23	-	-	23
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 50,000 million)	(63)	-	-	(63)
Total assets:				67,565
Non-current liabilities:				
Fixed-to-fixed interest rate swap (U.S. dollar denominated bonds face value of US\$57,535,000)	(1,400)	-	-	(1,400)
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million)	(132)	-	-	(132)
Total liabilities:				(1,532)

6. Major Contracts

[SK Telecom]

Not applicable.

[SK Broadband]

Due to the nature of the telecommunication service business, SK Broadband has entered into agreements related to the joint usage of telecommunication facilities for interconnection among telecommunication lines conduits and telecommunication service providers. Below are the major contracts of SK Broadband. In addition to the below, SK Broadband has also 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. 2018 (Unless special reasons arise, the usage period will be renewed annually)	Use of electricity poles
Busan Transportation Corporation	Use of telecommunication line conduits	From Aug. 2017 to Jul. 2019	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From Jan. 2018 to Dec. 2020	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (currently in discussion to decide usage unit price, future plans to enter into a contract)	Use of railway telecommunication conduit (Serviced areas to expand)

[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, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	Remarks
Raw material		82	1,261	659	—
Labor		70,243	139,845	116,108	—
Depreciation		75,467	144,301	125,827	—
Commissioned service		33,067	76,042	54,714	—
Others		22,478	53,112	53,785	—
Total R&D costs		201,336	414,562	351,093	—
Accounting	Sales and administrative expenses	187,698	395,276	344,787	—
	Development expenses (Intangible assets)	13,638	19,285	6,306	—
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)		2.42%	2.37%	2.05%	—

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, 2018, the Company held 4,720 Korean-registered patents and 1,476 foreign-registered patents. The Company holds 731 Korean-registered trademarks and owns intellectual property rights to its proprietary graphic design of the alphabet "T" representing its brand. The designed alphabet "T" is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to constant change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

[SK Broadband]

As of June 20, 2018, SK Broadband held 343 Korean-registered patents and 150 foreign-registered patents (including those held jointly with other companies). It also holds 325 Korean-registered trademarks and owns intellectual property rights to its proprietary graphic design of the alphabet "B" representing its brand. The designed alphabet "B" is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to continual change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

[SK Planet]

As of June 30, 2018, SK Planet held 2,479 registered patents, 129 registered design marks, 1,344 registered trademarks and 9 copyrights (including those held jointly with other companies) in Korea. It also holds 189 U.S.-registered patents, 112 Chinese-registered patents, 75 Japanese-registered patents, 56 E.U.-registered patents (all including patents held jointly with other companies) and 433 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of June 30, 2018, 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, 2018, December 31, 2017 and December 31, 2016 and for the six months ended June 30, 2018 and 2017 and the years ended December 31, 2017 and 2016. The Company's unaudited consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017, which are prepared in accordance with K-IFRS, are attached hereto.

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

	As of June 30, 2018	As of December 31, 2017	As of December 31, 2016
Assets			
Current Assets	7,814,328	6,201,799	5,996,628
• Cash and Cash Equivalents	1,796,190	1,457,735	1,505,242
• Accounts Receivable – Trade, net	1,987,902	2,126,007	2,240,926
• Accounts Receivable – Other, net	1,097,106	1,260,835	1,121,444
• Others	2,933,130	1,357,222	1,129,016
Non-Current Assets	28,522,429	27,226,870	25,301,035
• Long-Term Investment Securities	1,064,907	887,007	828,521
• Investments in Associates and Joint Ventures	11,004,762	9,538,438	7,404,323
• Property and Equipment, net	9,534,852	10,144,882	10,374,212
• Intangible Assets, net	3,341,694	3,586,965	3,776,354
• Goodwill	1,954,244	1,915,017	1,932,452
• Others	1,621,970	1,154,561	985,173
Total Assets	36,336,757	33,428,669	31,297,663
Liabilities			
Current Liabilities	5,759,256	7,109,123	6,444,099
Non-Current Liabilities	9,668,752	8,290,351	8,737,134
Total Liabilities	15,428,008	15,399,474	15,181,233
Equity			
Equity Attributable to Owners of the Parent Company	20,704,987	17,842,139	15,971,399
Share Capital	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	189,516	196,281	199,779
Retained Earnings	20,754,708	17,835,946	15,953,164
Reserves	(283,876)	(234,727)	(226,183)
Non-controlling Interests	203,762	187,056	145,031
Total Equity	20,908,749	18,029,195	16,116,430
Total Liabilities and Equity	36,336,757	33,428,669	31,297,663
Number of Companies Consolidated	42	39	38

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating Revenue	8,335,861	8,579,958	17,520,013	17,091,816
Operating Income	672,370	833,768	1,536,626	1,535,744
Profit Before Income Tax	2,070,032	1,472,646	3,403,249	2,096,139
Profit for the Period	1,607,673	1,203,992	2,657,595	1,660,101
Profit for the Period Attributable to Owners of the Parent Company	1,611,611	1,214,023	2,599,829	1,675,967
Profit for the Period Attributable to Non-controlling Interests	(3,938)	(10,031)	57,766	(15,866)

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the year ended December 31, 2017	For the year ended December 31, 2016
Basic and Diluted Earnings Per Share (Won)	22,705	17,074	36,582	23,497

* Financial information as of and for the years ended December 31, 2017 and 2016 was recorded based on previously applicable accounting standards of K-IFRS 1018 and K-IFRS 1039.

B. Summary Financial Information (Separate)

Below is the summary separate financial information of the Company as of June 30, 2018, December 31, 2017 and December 31, 2016 and for the six months ended June 30, 2018 and 2017 and the years ended December 31, 2017 and 2016. The Company's unaudited separate financial statements as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017, which are prepared in accordance with K-IFRS, are attached hereto.

(Unit: in millions of Won)

	As of June 30, 2018	As of December 31, 2017	As of December 31, 2016
Assets			
Current Assets	5,343,884	3,768,098	3,661,115
• Cash and Cash Equivalents	1,055,703	880,583	874,350
• Accounts Receivable – Trade, net	1,385,039	1,520,209	1,594,504
• Accounts Receivable – Other, net	865,634	1,003,509	772,570
• Others	2,037,508	363,797	419,691
Non-Current Assets	21,653,568	21,789,424	21,787,459
• Long-Term Investment Securities	664,492	724,603	560,966
• Investments in Subsidiaries and Associates	9,251,511	9,152,321	8,726,538
• Property and Equipment, net	6,416,396	6,923,133	7,298,539
• Intangible Assets, net	2,832,884	3,089,545	3,275,663
• Goodwill	1,306,236	1,306,236	1,306,236
• Others	1,182,049	593,586	619,517
Total Assets	26,997,452	25,557,522	25,448,574
Liabilities			
Current Liabilities	3,420,635	4,767,401	4,464,160
Non-Current Liabilities	6,969,658	5,782,730	6,727,460
Total Liabilities	10,390,293	10,550,131	11,191,620
Equity			
Share Capital	44,639	44,639	44,639
Capital Surplus and Other Capital Adjustments	370,943	371,895	371,481
Retained Earnings	16,224,034	14,512,556	13,902,627
Reserves	(32,457)	78,301	(61,793)
Total Equity	16,607,159	15,007,391	14,256,954
Total Liabilities and Equity	26,997,452	25,557,522	25,448,574

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating Revenue	5,930,373	6,197,586	12,468,035	12,350,479
Operating Income	737,536	901,744	1,697,709	1,782,172
Profit Before Income Tax	773,417	862,963	1,603,808	1,562,782
Profit for the Period	584,213	702,256	1,331,114	1,217,274
Basic and Diluted Earnings Per Share (Won)	8,155	9,826	18,613	17,001

* Financial information as of and for the years ended December 31, 2017 and 2016 was recorded based on previously applicable accounting standards of K-IFRS 1018 and K-IFRS 1039.

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, 2018		
	Gross amount	Allowance for Doubtful Accounts	Percentage
Accounts receivable – trade	2,259,230	259,343	11%
Loans	170,603	47,853	28%
Accounts receivable – other	1,415,969	70,787	5%
Accrued income	5,584	—	0%
Guarantee deposits	304,036	—	0%
Total	4,155,422	377,983	9%

(Unit: in millions of Won)

	For the year ended December 31, 2017		
	Gross amount	Allowance for Doubtful Accounts	Percentage
Accounts receivable – trade	2,378,203	239,448	10%
Loans	161,015	47,311	29%
Accounts receivable – other	1,623,295	75,412	5%
Accrued income	3,979	—	0%
Guarantee deposits	296,517	—	0%
Total	4,463,009	362,171	8%

(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%

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

(Unit: in millions of Won)

	For the six months ended June 30, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Beginning balance	362,171	369,332	344,016
Effect of change in accounting policy	13,049	—	—
Increase of allowance for doubtful accounts	24,757	40,377	78,132
Reversal of allowance for doubtful accounts	—	—	—
Write-offs	(32,110)	(70,802)	(79,891)
Other	10,116	23,264	27,075
Ending balance	377,983	362,171	369,332

(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

(Unit: in millions of Won)

	As of June 30, 2018				
	Six months or less	From six months to one year	From one year to three years	More than three years	Total
Accounts receivable – general	2,104,359	28,255	81,420	45,196	2,259,230
Percentage	93%	1%	4%	2%	100%

C. Inventories

(1) Detailed Categories of Inventories

(Unit: in millions of Won)

Account Category	For the six months ended June 30, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Merchandise	227,927	243,975	225,958
Goods in transit	—	—	—
Other inventories	31,371	28,428	33,888
Total	259,298	272,403	259,846
Percentage of inventories to total assets [Inventories / Total assets]	0.71%	0.81%	0.83%
Inventory turnover [Cost of sales / { (Beginning balance of inventories + Ending balance of inventories) / 2 }]	6.09	7.09	6.89

(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 note 2 of the notes to the Company's unaudited consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017, for more information.

E. Key Terms of Debt Securities

[SK Telecom]

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

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
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 25, 2018

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	Debt ratio no greater than 300%
	Compliance Status	Compliant
Restriction on Liens	Key Term	The total amount of secured debt not to exceed 100% 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 25, 2018

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.
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	Debt ratio no greater than 300%
	Compliance Status	Compliant
Restriction on Liens	Key Term	The total amount of secured debt not to exceed 100% 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 25, 2018

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	Debt ratio no greater than 300%
	Compliance Status	Compliant
Restriction on Liens	Key Term	The total amount of secured debt not to exceed 150% 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 25, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 72-1	Nov. 10, 2017	Nov. 10, 2020	100,000	Oct. 31, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 72-2	Nov. 10, 2017	Nov. 10, 2022	80,000	Oct. 31, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 72-3	Nov. 10, 2017	Nov. 10, 2027	100,000	Oct. 31, 2017	Korea Securities Finance Corp.

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 150% 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 50% of total assets
	Compliance Status	Compliant
Restriction on Changes of Management Structure	Key Term	Restriction of cross-shareholding Exclusion from corporate group
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 25, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 73-1	Feb. 20, 2018	Feb. 20, 2021	110,000	Feb. 6. 2018	Korea Securities Finance Corp.
Unsecured Bond – Series 73-2	Feb. 20, 2018	Feb. 20, 2023	100,000	Feb. 6. 2018	Korea Securities Finance Corp.
Unsecured Bond – Series 73-3	Feb. 20, 2018	Feb. 20, 2028	200,000	Feb. 6. 2018	Korea Securities Finance Corp.
Unsecured Bond – Series 73-4	Feb. 20, 2018	Feb. 20, 2038	90,000	Feb. 6. 2018	Korea Securities Finance Corp.

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 150% 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 50% of total assets
	Compliance Status	Compliant

Restriction on Changes of Management Structure	Key Term	Restriction of cross-shareholding Exclusion from corporate group
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	To be submitted after the release of the 2018 semi-annual report

[SK Broadband]

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

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 40-2	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	Debt ratio no greater than 400%
	Compliance Status	Compliant
Restriction on Liens	Key Term	The total amount of secured debt not to exceed 200% 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 23, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 45-1	Oct. 11, 2017	Oct. 11, 2020	30,000	Sept. 20, 2017	Korea Securities Finance Corp.
Unsecured Bond – Series 45-2	Oct. 11, 2017	Oct. 11, 2022	140,000	Sept. 20, 2017	Korea Securities Finance 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 200% 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 70% of total assets

	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 23, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 46-1	Feb. 1, 2018	Feb. 1, 2021	70,000	Jan. 19, 2018	Korea Securities Finance Corp.
Unsecured Bond – Series 46-2	Feb. 1, 2018	Feb. 1, 20213	80,000	Jan. 19, 2018	Korea Securities Finance 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 200% 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 70% of total assets
	Compliance Status	Compliant
Restriction on Changes of Management Structure	Key Term	Restriction on changes of management structure
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	To be submitted in August 2018

IV. AUDITOR'S OPINION

1. Auditor (Consolidated)

Six months ended June 30, 2018	Year ended December 31, 2017	Year ended December 31, 2016
KPMG Samjong Accounting Corp.	KPMG Samjong Accounting Corp.	KPMG Samjong Accounting Corp.

2. Audit Opinion (Consolidated)

Period	Auditor's opinion	Issues noted
Six months ended June 30, 2018	—	—
Year ended December 31, 2017	Unqualified	N/A
Year ended December 31, 2016	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)

Period	Auditors	Contents	Fee	Total number of hours accumulated for the fiscal year
Six months ended June 30, 2018	KPMG Samjong Accounting Corp.	Quarterly review	1,700	22,058
		Separate financial statements audit		
		Consolidated financial statements audit		
		English financial statements review and other audit task		
Year ended December 31, 2017	KPMG Samjong Accounting Corp.	Semi-annual review	1,470	21,098
		Quarterly review		
		Separate financial statements audit		
		Consolidated financial statements audit		
Year ended December 31, 2016	KPMG Samjong Accounting Corp.	English financial statements review and other audit task	1,350	19,412
		Semi-annual review		
		Quarterly review		
		Separate financial statements audit		
		Consolidated financial statements audit		

B. Non-Audit Services Contract with External Auditors

(Unit: in millions of Won)

Period	Contract date	Service provided	Service duration	Fee
Six months ended June 30, 2018	March 5, 2017	Issuance of comfort letters	March 5, 2018 – April 26, 2018	110
Year ended December 31, 2017	March 10, 2017	Issuance of comfort letters	March 10, 2017 – March 30, 2017	30
	April 28, 2017	Consulting services	April 28, 2017 – May 12, 2017	300
Year ended December 31, 2016	May 10, 2016	Confirmation of financial information	May 10 – May 12, 2016	2

4. Change of Independent Auditors

Not applicable.

V. MANAGEMENT'S DISCUSSION AND ANALYSIS

Omitted in quarterly and semi-annual 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 eight members: five independent directors, two inside directors 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, 2018)

Total number of persons	Inside director	Non-executive director	Independent directors
8	Jung Ho Park, Young Sang Ryu	Dae Sik Cho	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn, Youngmin Yoon

At the 34th General Meeting of Shareholders held on March 21, 2018, Young Sang Ryu was newly elected as an inside director and Youngmin Yoon was newly elected as an independent director and a member of the audit committee.

B. Significant Activities of the Board of Directors

Meeting	Date	Agenda	Approval
409th (the 1st meeting of 2018)	February 2, 2018	<ul style="list-style-type: none"> - Business Plan for 2018 - Financial statements as of and for the year ended December 31, 2017 - Annual business report as of and for the year ended December 31, 2017 - Delegation of funding through long-term borrowings in 2018 - Lease contract with SK Broadband - Approval of IT SM transactions in 2018 - Report on welfare fund for 2018 - Share acquisition of FSK L&S - Establishment of SK Telecom Japan - Report of internal accounting management - Donation to community in 2017 - Report for the period after the fourth quarter of 2017 	<ul style="list-style-type: none"> Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed — — —
410th (the 2nd meeting of 2018)	February 20, 2018	<ul style="list-style-type: none"> - Adoption of electronic voting system - Establishment of corporate governance charter - Grant of stock options - Plan for the 34th General Meeting of Shareholders - Donation to the Korean Fencing Association - Results on internal accounting management 	<ul style="list-style-type: none"> Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed —

Meeting	Date	Agenda	Approval
411th (the 3rd meeting of 2018)	March 31, 2018	<ul style="list-style-type: none"> - Election of the chairman of the Board of Directors - Election of committee members - Reappointment of compliance officer - Transactions with SK Holdings in the second quarter of 2018 - Transactions related to corporate bonds with SK Securities - Transactions related to fund management with SK Securities - Donation to Korea Foundation of Advance Studies for 2018 - Donation to SK Happiness Foundation for 2018 	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed
412nd (the 4th meeting of 2018)	April 26, 2018	<ul style="list-style-type: none"> - Allocation of operating costs of SK Academy - Payment of operating costs in 2018 for SUPEX Council - Report for the period after the first quarter of 2018 	Approved as proposed Approved as proposed —
413rd (the 5th meeting of 2018)	May 8, 2018	<ul style="list-style-type: none"> - Acquisition of shares of Siren Holdings Korea Co., Ltd. 	Approved as proposed
414th (the 6th meeting of 2018)	May 24, 2018	<ul style="list-style-type: none"> - Plan for the procurement of 5G frequency - Settlement of expenses between related parties in connection with contemplated joint R&D - Equity investment plan for the Guam/Saipan MNO 	Approved as proposed Approved as proposed —
415th (the 7th meeting of 2018)	June 28, 2018	<ul style="list-style-type: none"> - Transactions with SK Holdings in the third quarter of 2018 - Transactions related to corporate bonds with SK Securities - Transactions related to fund management with SK Securities - Changes to joint management contract of airplane for business purposes 	Approved as proposed Approved as proposed Approved as proposed 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, 2018)

(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	
6	Young Sang Ryu	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn, Youngmin Yoon	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	Jae Hoon Lee, 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	
4	—	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Youngmin Yoon	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, 2018 are set forth below.

Meeting	Date	Agenda	Approval
The 1st meeting of 2018	February 1, 2018	<ul style="list-style-type: none"> - Evaluation of internal accounting management system operation - Review of business and audit results for the second half of 2017 and business and audit plans for 2018 - Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee - Appointment of external auditor for the period of 2018 to 2020 	<p>—</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>—</p>
The 2nd meeting of 2018	February 19, 2018	<ul style="list-style-type: none"> - Report on the IFRS audit of fiscal year 2017 - Report on review of 2017 internal accounting management system - Evaluation of internal accounting management system operation - Agenda and document review for the 34th General Meeting of Shareholders - Auditor's report for fiscal year 2017 - Report on contract for customer appreciation gifts to fixed-line telephone customers for 2018 	<p>—</p> <p>—</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>
The 3rd meeting of 2018	March 20, 2018	<ul style="list-style-type: none"> - Contract for maintenance services of optical cables in 2018 - Contract for maintenance services of transmission equipment in 2018 - Consulting contract to undertake a global project 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>
The 4th meeting of 2018	April 25, 2018	<ul style="list-style-type: none"> - Election of the chairman of the Audit Committee - Remuneration for external auditor for fiscal year 2018 - Approval of external auditor services for fiscal year 2018 - Audit plan for fiscal year 2018 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>—</p>
The 5th meeting of 2018	May 23, 2018	<ul style="list-style-type: none"> - Product/service transactions with SK Broadband for fiscal year 2018 	<p>Approved as proposed</p>

* 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.

During the 34th general meeting of shareholders held on March 21, 2018, the Company adopted the electronic voting method. Pursuant to Article 368-4 of the Korean Commercial Code, the Company entrusted the Korea Securities Depository with the role of administering the electronic voting system, allowing shareholders to exercise their voting rights through electronic voting without attending the general meeting of shareholders.

Written voting system is not 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, 2018)

(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
Dong Hyun Jang	Officer of affiliated company	Common share	251	0.00	251	0.00
Jung Ho Park	Officer of the Company	Common share	1,000	0.00	1,000	0.00
Total		Common share	20,364,803	25.22	20,364,803	25.22

B. Overview of the Largest Shareholder

As of June 30, 2018, 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, 2018)

(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

(As of June 30, 2018)

(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
	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.
	July 7, 2017	20,364,803	25.22	Shin Won Chey, SKC's Chairman, disposed of 1,067 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, 2018)

(Unit: in shares and percentages)

Rank	Name (title)	Common share		
		Number of shares	Ownership ratio	Remarks
1	Citibank ADR	8,849,283	10.96%	—
2	SK Holdings	20,363,452	25.22%	—
3	SK Telecom	10,136,551	12.55%	Treasury shares
4	National Pension Service	7,441,997	9.22%	—
Shareholdings under the Employee Stock Ownership Program		—	0.00%	—

B. Shareholder Distribution

(As of June 30, 2018)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	65,811	99.9%	33,954,428	42.05%	—

* 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

Types		June 2018	May 2018	April 2018	March 2018	February 2018	January 2018
Common stock	Highest	246,500	231,500	237,000	239,500	262,000	280,000
	Lowest	222,000	220,500	222,000	226,500	239,500	259,500
	Average	234,738	225,174	228,333	232,429	246,222	268,682
Daily transaction volume	Highest	496,297	288,474	438,740	282,839	326,122	289,341
	Lowest	84,766	73,057	119,524	98,455	101,187	84,282
Monthly transaction volume		5,173,217	3,608,544	3,907,630	3,832,650	3,043,979	3,936,581

B. Foreign Securities Market (New York Stock Exchange)

Types		June 2018	May 2018	April 2018	March 2018	February 2018	January 2018
Depository receipt	Highest	25.18	23.87	24.83	24.70	27.19	28.82
	Lowest	23.13	22.82	23.02	23.26	24.32	27.26
	Average	23.78	23.22	23.74	24.03	25.12	27.93
Daily transaction volume	Highest	848,181	812,445	927,339	1,057,248	1,405,563	739,383
	Lowest	194,540	233,123	269,790	296,949	257,666	266,543
Monthly transaction volume		9,420,124	10,710,760	10,294,651	11,081,045	10,347,790	9,419,815

VIII. EMPLOYEES AND DIRECTORS

1. Employees

(As of June 30, 2018)

(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	3,928	—	130	—	4,058	12.7	286,697	72
—	Female	658	—	118	—	776	9.0	36,032	50
Total		4,586	—	248	—	4,834	12.1	322,729	69

* Based on Section 9-1-2 (Employee Status) of the Corporate Disclosure Guidelines (amended as of July 2018).

2. Compensation of Directors

A. Amount Approved at the Shareholders' Meeting

(As of June 30, 2018)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Approved
Directors	8	12,000

B. Amount Paid

B-1. Total Amount

(As of June 30, 2018)

(Unit: in millions of Won)

Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
8	3,216	402	-

B-2. Amount by Classification

(As of June 30, 2018)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
Inside Directors	3	3,022	1,007	-
Independent Directors	1	40	40	-
Audit Committee Members	4	154	39	-
Auditor	-	-	-	-

3. Individual Compensation of Directors

A. Remuneration for Individual Directors

(Unit: in millions of Won)

Name	Position	Total remuneration	Payment not included in total remuneration
Jung Ho Park	Representative Director	2,925	66,504 shares in stock option

Method of calculation

<u>Name</u>	<u>Method of calculation</u>
Jung Ho Park	<p><u>Total remuneration</u></p> <ul style="list-style-type: none"> Won 2,925 million (consisting of Won 575 million in salary and Won 2,350 million in bonus). <p><u>Salary</u></p> <ul style="list-style-type: none"> An annual base salary of Won 1,150 million was set based on Mr. Park’s position (as Representative Director and President), leadership, expertise and contribution to the Company and within the director compensation limits established by the board of directors for the year 2018. One twelfth of the annual base salary (Won 95.8 million) is paid each month. <p><u>Bonus</u></p> <ul style="list-style-type: none"> Bonus awarded at the beginning of 2018 was based on the annual performance in 2017 and consisted of target incentive payments and profit sharing payments. Bonus in the range of 0% to 250% of the annual base salary may be awarded to the Representative Director, based on a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, including leadership, ability to achieve strategic tasks, expertise and other management skills and contributions. For the year ended December 31, 2017, the Company met its financial targets with revenue of Won 17.5 trillion and operating profit of Won 1.5 trillion on a consolidated basis and succeeded in achieving a turnaround in revenue for the first time in three years since 2014. Mr. Park also solidified Company’s market position as a leader in the mobile communication industry; it was ranked number one for the Korean Customer Satisfaction Index (“KCSI”) for 20 consecutive years in 2017, and has held the number one position in the top 3 customer satisfaction evaluations in Korea, including KS-SQI and KCSI, for the longest period among all companies, and the number of the Company’s mobile subscribers surpassed 30 million in the year ended December 31, 2017. He also laid the groundwork for securing new growth drivers in the new ICT area, including media, commerce and AI. In particular, since the launch of AI speaker “NUGU,” the Company has achieved outstanding results in the new ICT area by strengthening the Company’s competitiveness in the AI business with the “AI virtuous cycle strategy,” which seeks to expand service areas, contents and users simultaneously. As a result, the number of monthly active users of AI speaker “NUGU” increased from 0.1 million in August 2016 to 2.1 million in December 2017. Based on these factors, a bonus of Won 2,350 million was awarded to Mr. Park.

B. Remuneration for the Five Highest-Paid Officers (among those Paid over ₩500 Million per Year)

(Unit: in millions of Won)

<u>Name</u>	<u>Position</u>	<u>Total remuneration</u>	<u>Payment not included in total remuneration</u>
Jung Ho Park	Representative Director	2,925	66,504 stock options
Ho Cheol Yeo	Non-registered Officer	1,777	-
Yong Seob Yeom	Non-registered Officer	727	-
Joon Choi	Non-registered Officer	715	-
Yong Seok Lee	Non-registered Officer	633	-

Method of calculation

<u>Name</u>	<u>Method of calculation</u>
Jung Ho Park	See “VIII.3.A. Remuneration for Individual Directors” above.
Ho Cheol Yeo	<p><u>Total remuneration</u></p> <ul style="list-style-type: none"> • Won 1,777 million (consisting of Won 83 million in salary, Won 254 million in bonus, Won 606 million in other earned income and Won 834 million in retirement pay). <p><u>Salary</u></p> <ul style="list-style-type: none"> • An annual base salary of Won 237 million was set based on Mr. Yeo’s position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 19.7 million) is paid each month. • The total amount of salary paid is for the period from January 1, 2018 and May 8, 2018. <p><u>Bonus</u></p> <ul style="list-style-type: none"> • Bonus awarded at the beginning of 2018 was based on the annual performance in 2017 and consisted of target incentive payments and profit sharing payments. • Bonus in the range of 0% to 200% of the annual base salary may be awarded to an executive, based on a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as leadership, ability to achieve strategic tasks, expertise and other management skills and contributions. • Mr. Yeo contributed to the management’s decision-making process to minimize business risk through the business evaluation of the Company and its affiliated companies. He also built the foundation for systematic management through upgrades in ethical management infrastructure and created a culture and environment for ethical management practices through workshops and active training. Based on these factors, a bonus of Won 254 million was awarded to Mr. Yeo. <p><u>Other earned income</u></p> <ul style="list-style-type: none"> • Bereavement pay was paid for the death of the executive. <p><u>Retirement pay</u></p> <ul style="list-style-type: none"> • Retirement pay is calculated in accordance with the Company’s policy on executive retirement pay and includes additional amounts for special contributions based on the Company’s policy on executive management.
Yong Seob Yeom	<p><u>Total remuneration</u></p> <ul style="list-style-type: none"> • Won 727 million (consisting of Won 247 million in salary and Won 480 million in bonus). <p><u>Salary</u></p> <ul style="list-style-type: none"> • An annual base salary of Won 495 million was set based on the executive’s position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 41.2 million) is paid each month. <p><u>Bonus</u></p> <ul style="list-style-type: none"> • Bonus was paid in February 2018 based on the performance of Mr. Yeom during his tenure as the head of the SK Research Institute for SUPEX Management for the year 2017.

	<ul style="list-style-type: none"> • Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills. • Mr. Yeom contributed to increasing the Company’s corporate value and competitiveness by performing his role as the head of SK Research for SUPEX Management, which acts as a think tank that supports the Company’s sustainable growth. Based on these factors, a bonus of Won 480 million was awarded to Mr. Yeom.
Joon Choi	<p><u>Total remuneration</u></p> <ul style="list-style-type: none"> • Won 715 million (consisting of Won 172 million in salary and Won 543 million in bonus). <p><u>Salary</u></p> <ul style="list-style-type: none"> • An annual base salary of Won 345 million was set based on the executive’s position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 28.7 million) is paid each month. • The total amount was allocated based on the operating standards agreed by the SUPEX Council member companies. <p><u>Bonus</u></p> <ul style="list-style-type: none"> • Bonus was paid in February 2018 based on the performance of Mr. Choi as an executive in the strategic support team of the SUPEX Council for the year 2017. • Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills. • As an executive of the strategic support team of the SUPEX Council, Mr. Choi contributed to the growth of SK Group by enhancing SK Group’s ability to execute the “Independent Yet United” management philosophy and increasing the corporate value and competitiveness of affiliated companies. He also contributed to the innovation of the Company’s business model and its global growth. Based on these factors, a bonus of Won 543 million was awarded to Mr. Choi. (The total amount was allocated based on the operating standards agreed by the SUPEX Council member companies.)
Yong Seok Lee	<p><u>Total remuneration</u></p> <ul style="list-style-type: none"> • Won 633 million (consisting of Won 247 million in salary, Won 386 million in bonus). <p><u>Salary</u></p> <ul style="list-style-type: none"> • An annual base salary of Won 495 million was set based on the executive’s position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 41.2 million) is paid each month. <p><u>Bonus</u></p> <ul style="list-style-type: none"> • Bonus was paid in February 2018 based on the performance of Mr. Lee during his tenure as the head of economic research of the SK Research Institute for SUPEX Management for the year 2017. • Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators,

	<p>including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills.</p> <ul style="list-style-type: none"> Mr. Lee contributed to increasing the Company's corporate value and competitiveness by performing his role as the head of economic research of the SK Research for SUPEX Management, which acts as a think tank that supports the Company's sustainable growth. Based on these factors, a bonus of Won 386 million was awarded to Mr. Lee.
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4. Stock Options Granted and Exercised

A. Stock Options Granted to Directors and Auditors

(As of June 30, 2018)

(Unit: in millions of Won)

Classification	Number of Directors	Fair Value of Stock Options	Remarks
Inside Directors	3	271	-
Independent Directors	1	-	-
Audit Committee Members	4	-	-
Total	8	271	-

* See note 24 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, to the extent such options were granted to directors.

B. Stock Options Granted and Exercised

(As of June 30, 2018)

(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
Young Sang Ryu	Inside Director	February 20, 2018	Treasury stock	1,358	-	-	1,358	February 21, 2020 – February 2, 2023	254,120
Sung Won Suh	Officer	February 20, 2018	Treasury stock	2,755	-	-	2,755	February 21, 2020 – February 2, 2023	254,120
Sang Ho Lee	Officer	February 20, 2018	Treasury stock	1,594	-	-	1,594	February 21, 2020 – February 2, 2023	254,120

* On June 30, 2018, the closing price was Won 233,000.

IX. RELATED PARTY TRANSACTIONS

1. Line of Credit Extended to the Largest Shareholder and Related Parties

(As of June 30, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details				Accrued interest	Remarks
			Beginning	Increase	Decrease	Ending		
SK Wyverns	Affiliate	Long-term and short-term loans	611	—	—	611	14	—

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

Purchase and Dispositions of Investments

(As of June 30, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Type of investment	Details				Remarks
			Change				
			Beginning	Increase	Decrease	Ending	
SK Telecom Japan Inc.	Affiliate	Equity	—	10,316	—	10,316	Newly Established
Atlas	Affiliate	Equity	84,495	5,329	—	89,824	Capital increase

Purchase and Disposition of Securities

(As of June 30, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Type of Transaction	Transaction Date	Object of Transaction	Transaction Amount	Valuation Method
SK Holdings	Affiliate	Purchase of equity interest	February 6, 2018	FSK L&S Co., Ltd.	17,757*	Third party appraisal

* The transaction amount has been adjusted from the transaction amount disclosed in the first quarter of 2018 to reflect the final adjusted amount.

Transfer of Assets

None.

3. Transactions with the Largest Shareholder and Related Parties

None.

4. Related Party Transactions

See note 32 of the notes to the Company's unaudited consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017, for more information regarding related party transactions.

5. Other Related Party Transactions (excluding Transactions with the Largest Shareholder and Related Parties listed above)

A. Provisional Payment and Loans (including loans on marketable securities)

(As of June 30, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details				Accrued interest	Remarks
			Beginning	Increase	Decrease	Ending		
Baekmajang and others	Agency	Long-term and short-term loans	61,930	110,980	100,133	72,777	—	—
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

Date	Agenda	Resolution
32nd Fiscal Year Meeting of Shareholders (March 18, 2016)	<ol style="list-style-type: none"> 1. Approval of the financial statements for the year ended December 31, 2015 2. Amendments to Articles of Incorporation 3. Election of directors <ul style="list-style-type: none"> - Election of an inside director - Election of an independent director 4. Election of an independent director as Audit Committee member 5. Approval of remuneration limit for directors 6. Amendments to executive payroll regulations 	<p>Approved (Cash dividend, Won 9,000 per share)</p> <p>Approved</p> <p>Approved (Dae Sik Cho)</p> <p>Approved (Dae Shick Oh)</p> <p>Approved (Dae Shick Oh)</p> <p>Approved (Won 12 billion)</p> <p>Approved</p>
33rd Fiscal Year Meeting of Shareholders (March 24, 2017)	<ol style="list-style-type: none"> 1. Approval of the financial statements for the year ended December 31, 2016 2. Amendments to Articles of Incorporation 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 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 5. Approval of remuneration limit for directors 6. Award of stock options 	<p>Approved (Cash dividend, Won 9,000 per share)</p> <p>Approved</p> <p>Approved (Jung Ho Park)</p> <p>Approved (Dae Sik Cho)</p> <p>Approved (Jae Hoon Lee)</p> <p>Approved (Jae Hyeon Ahn)</p> <p>Approved (Jung Ho Ahn)</p> <p>Approved (Jae Hoon Lee)</p> <p>Approved (Jae Hyeon Ahn)</p> <p>Approved (Won 12 billion)</p> <p>Approved</p>
34th Fiscal Year Meeting of Shareholders (March 21, 2018)	<ol style="list-style-type: none"> 1. Approval of the financial statements for the year ended December 31, 2017 2. Award of stock options 3. Election of directors <ul style="list-style-type: none"> - Election of an inside director - Election of an independent director 4. Election of an independent director as Audit Committee member 5. Approval of remuneration limit for directors 	<p>Approved (Cash dividend, Won 9,000 per share)</p> <p>Approved</p> <p>Approved (Young Sang Ryu)</p> <p>Approved (Youngmin Yoon)</p> <p>Approved (Youngmin Yoon)</p> <p>Approved (Won 12 billion)</p>

2. Contingent Liabilities

[SK Telecom]

A. Material Legal Proceedings

None.

B. Other Contingent Liabilities

None.

[SK Broadband]

A. Material Legal Proceedings

As of June 30, 2018, there were 15 lawsuits against SK Broadband (total amount of Won 3,377 million) that were pending. The Company does not believe that the outcome of these lawsuits will have a material impact on its 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 263 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided "geun" mortgage amounting to Won 3,933 million to others, including Seodaemooon 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 23,377 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, 2018, there were nine pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claims was Won 3,382 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

SK Planet's borrowings from financial institutions as of June 30, 2018 are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Borrowing	Limit Amount	Borrowed Amount
KEB Hana Bank	Overdrafts	10,000,000	-
	Standard loan	40,000,000	40,000,000
Shinhan Bank	Overdrafts	15,000,000	-
	Standard loan	30,000,000	30,000,000
Korea Development Bank	Project finance loan	-	30,000,000
Total		95,000,000	100,000,000

(2) Payment guarantees

The material payment guarantees provided by third parties to SK Planet as of June 30, 2018 are set forth in the table below.
(Unit: in thousands of Won)

Recipient	Financial institution	Guarantee	Amount
SK Planet	Seoul Guarantee Insurance Company	Payment guarantee on e-commerce business	10,897,587
	KEB Hana Bank	Guarantee fulfillment of contractual obligations	450,000
		Other guarantees	707,000

The material payment guarantee provided to a third party by SK Planet as of June 30, 2018 is set forth in the table below.
(Unit: in thousands of Won)

Recipient	Financial institution	Guarantee	Amount
Citibank Berhad	SK Planet	Payment guarantee for overseas business	12,240,000

[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 12.5 billion and Won 3.3 billion, 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 224 million to business partners through Seoul Guarantee Insurance Company.

[SK Communications]

A. Material Legal Proceedings

As of June 30, 2018, the aggregate amount of pending claims against SK Communications was Won 12.6 million. There were four pending cases relating to a leak of personal information of subscribers of NATE at various appellate courts and the Supreme Court in Korea.

B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of June 30, 2018 are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Guarantee	Amount
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
	Provisional attachment of real estate	118,000
Total		818,000

[Iriver]

A. Material Legal Proceedings

As of June 30, 2018, there was one pending case against Iriver for damages of Won 5 billion. It is difficult to predict the final outcome of this case, and its effect on the Company's financial statements cannot be reasonably estimated due to the uncertainty regarding the extent of Iriver's obligations thereunder.

B. Other Contingent Liabilities

(1) As of June 30, 2018, Iriver was not party to any agreements with any financial institutions.
(2) Seoul Guarantee Insurance Company has provided performance guarantees of Won 125 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, 2018 and 2017 were Won 3,401 million and Won 376 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 8 billion with Woori Bank and Won 20 billion with Hana Bank in relation to its loans.

3. Status of Sanctions, etc.

[SK Telecom]

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.

On December 6, 2017, the Korea Communications Commission issued a correctional order for violating the rights of subscribers in relation to its high-speed internet and bundled services. The Company reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order.

On January 24, 2018, the Korea Communications Commission imposed on the Company a fine of Won 21.1 billion and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to its dealers. The Company paid the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order.

On January 24, 2018, the Korea Communications Commission imposed on the Company a fine of Won 223 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to its corporate business. The Company paid the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order.

On January 24, 2018, the Korea Communications Commission imposed on the Company a fine of Won 27 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to its large retail dealers. The Company paid the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order.

*** Important matters that occurred after June 30, 2018**

On July 26, 2018, the board of directors of Iriver, a subsidiary of the Company, resolved a capital increase through a third-party allotment in the amount of Won 70,000 million, pursuant to which Iriver issued 7,990,867 common shares. The Company participated in such capital increase and paid Won 65,000 million as consideration for 7,420,091 common shares of Iriver, resulting in a change in the Company's ownership interest from 45.9% to 53.7%.

[SK Broadband]

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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 bundled high-speed internet 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 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.

(5) 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.

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

- Date: July 13, 2017
- Sanction: SK Broadband was imposed a fine of Won 12 million for breach of restrictions on transmission of advertising information for profit.
- Reason and the Relevant Law: Violated Articles 50-1, 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 for electronic transmission of advertisements without prior consent of the recipient.
- Status of Implementation: Implemented improvements to advertisement transmission related activity and paid the fine in July 2017.
- Company's Plan: Implement improvements to advertisement transmission related activity.

(7) Violation of the Telecommunications Business Act

- Date: December 6, 2017
- 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.

- *** Important matters that occurred after June 30, 2018**
- On August 13, 2018, the company publicly issued foreign-currency five-year bonds in the aggregate principal amount of USD 300 million (Interest rate: 3.875%; Rating: A- (S&P, Fitch); Underwriters: HSBC, BNP Paribas, Citi Global Markets Securities).

[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: 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.

[Home & Service]

(1) Violation of the Employment Insurance Act

- Date: January 19, 2018
- Sanction: Home & Service received a fine of Won 0.5 million.
- Reason and the Relevant Law: Violated Article 15 of the Employment Insurance Act by delaying notification of matters related to the employees' insurance status.
- Status of Implementation: Paid the fine.
- Company's plan: Implement measures to improve reporting procedures.

(2) Violation of Industrial Safety and Health Act

- Date: March 12, 2018
- Sanction: Home & Service received a fine of Won 5 million.
- Reason and the Relevant Law: Violated Article 10-2 of the Industrial Safety and Health Act by delaying reporting of industrial accidents.

- Status of Implementation: Paid the fine.
- Company's plan: Improve and strengthen management related to industrial accidents

(3) Violation of Industrial Safety and Health Act

- Date: April 30, 2018
- Sanction: Home & Service received a correctional order for failing to establish an industrial safety and health committee and providing training related to employee safety and health.
- Reason and the Relevant Law: Violated Articles 19-1 and 31-1 of the Industrial Safety and Health Act for failing to establish an industrial safety and health committee and not providing training related to employee safety and health in the first quarter of 2018.
- Status of Implementation: The company paid the fine and its board of directors resolved to establish an industrial safety and health committee on May 16, 2018. The company has also conducted offline and online training programs.
- Company's plan: Execute the correctional order.

[Iriver]

*** Important matters that occurred after June 30, 2018**

On July 26, 2018, the board of directors of Iriver resolved a capital increase through a third-party allotment (approximately Won 70,000 million), and 7,990,867 common shares were issued upon payment on August 10, 2018.

On July 26, 2018, the board of directors of the company resolved to invest in operating funds (Won 11,000 million) for Groovers Co., Ltd. ("Groovers"), a subsidiary, to improve its financial structure and pursue new businesses. Payment was completed on July 27, 2018.

On June 28, 2018, the board of directors of Groovers resolved to acquire all properties, assets and rights related to the Music Mate streaming service from SK TechX, a related person of Iriver, for Won 3,320 million.

Effective as of July 1, 2018, SM Mobile Communications Japan Inc. (merging entity) and groovers Japan Co., Ltd. (surviving entity), a subsidiary of the company, completed their merger.

4. Use of Direct Financing

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

Not applicable.