

SK TELECOM CO LTD  
Form 6-K  
June 14, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE MONTH OF JUNE 2018**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

**(Translation of registrant's name into English)**

**Euljiro 65 (Euljiro2-ga), Jung-gu**

**Seoul 100-999, Korea**

**(Address of principal executive offices)**

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(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes      No

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b):  
82-

QUARTERLY BUSINESS REPORT

(From January 1, 2018 to March 31, 2018)

THIS IS A SUMMARY OF THE QUARTERLY 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 quarterly business report for the three months ended March 31, 2018 includes the following consolidated subsidiaries:

| <b>Name</b>                             | <b>Date of Establishment</b> | <b>Principal Business</b>   | <b>Total Assets as of Dec. 31, 2017<br/>(millions of Won)</b> | <b>Material Subsidiary*</b> |
|---|------------------------------|---|---|-----------------------------|
| 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   |                             |

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|  |                |  |        |
|--|----------------|--|--------|
| S.M. Life Design Company<br>Japan Inc.       | June 25, 2008  | Japanese merchandise business            | 6,366  |
| S.M. Mobile Communications<br>JAPAN Inc.     | May 6, 2016    | Contents and information<br>distribution | 125    |
| SK Telecom China Holdings<br>Co., Ltd.       | Jul. 12, 2007  | Investment (holding company)             | 43,290 |
| SK Global Healthcare Business<br>Group, Ltd. | Sept. 14, 2012 | Investment (SPC)                         | 14,033 |
| SK Planet Japan, K. K.                       | Mar. 14, 2012  | Digital contents sourcing<br>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   |                      |
| 11st (Thailand) Co., Ltd.         | Apr. 5, 2016          | E-commerce  | 13,976   |                      |
| HelloNature Co., Ltd.             | Jan. 5, 2012          | B2C organic food e-commerce                               | 2,124  |                      |
| 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  |                      |

ø Material Subsidiary means a subsidiary with total assets of Won 75 billion or more as of the end of the latest fiscal year.

ø On January 2, 2017, SK M&Service Co., Ltd. changed its name to SK M&Service Co., Ltd. from M&Service Co., Ltd.

ø On April 6, 2017, NSOK Co., Ltd. changed its name to NSOK Co., Ltd. from Neosnetworks Co., Ltd. Changes in subsidiaries during the three months ended March 31, 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

**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

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity (Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| February 19, 2016         | Corporate bond           | AAA                  | Korea Ratings                                     | Current rating               |
| February 19, 2016         | Corporate bond           | AAA                  | Korea Investors Service, Inc.                     | Current rating               |
| February 19, 2016         | Corporate bond           | AAA                  | NICE Investors Service, Co., Ltd.                 | Current rating               |
| May 19, 2016              | Corporate bond           | AAA                  | Korea Ratings                                     | Current rating               |
| May 20, 2016              | Corporate bond           | AAA                  | Korea Investors Service, Inc.                     | Current rating               |
| May 20, 2016              | Corporate bond           | AAA                  | NICE Investors Service, Co., Ltd.                 | Current rating               |
| April 12, 2017            | Corporate bond           | AAA                  | Korea Ratings                                     | Regular rating               |
| April 12, 2017            | Corporate bond           | AAA                  | Korea Investors Service, Inc.                     | Regular rating               |
| April 12, 2017            | Corporate bond           | AAA                  | NICE Investors Service, Co., Ltd.                 | Regular rating               |
| April 12, 2017            | Corporate bond           | AAA                  | Korea Ratings                                     | Current rating               |

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|                  |                |     |                               |                |
|------------------|----------------|-----|-------------------------------|----------------|
| April 12, 2017   | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| April 12, 2017   |                |     | NICE Investors Service, Co.,  |                |
|                  | Corporate bond | AAA | Ltd.                          | Current rating |
| October 30, 2017 | Corporate bond | AAA | Korea Ratings                 | Current rating |
| October 30, 2017 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| October 30, 2017 |                |     | NICE Investors Service, Co.,  |                |
|                  | Corporate bond | AAA | Ltd.                          | Current rating |
| February 5, 2018 | Corporate bond | AAA | Korea Ratings                 | Current rating |
| February 5, 2018 |                |     | NICE Investors Service, Co.,  |                |
|                  | Corporate bond | AAA | Ltd.                          | Current rating |
| February 6, 2018 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |

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

## (2) Commercial paper ( CP )

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity (Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| January 19, 2016          | Short-term bond          | A1                   | Korea Ratings                                     | Current rating               |
| January 19, 2016          | Short-term bond          | A1                   | Korea Investors Service, Inc.                     | Current rating               |
| January 19, 2016          | Short-term bond          | A1                   | NICE Investors Service Co., Ltd.                  | Current rating               |
| April 27, 2016            | CP                       | A1                   | Korea Ratings                                     | Current rating               |
| April 27, 2016            | Short-term bond          | A1                   | Korea Ratings                                     | Current rating               |
| May 11, 2016              | CP                       | A1                   | Korea Investors Service, Inc.                     | Current rating               |
| May 11, 2016              | Short-term bond          | A1                   | Korea Investors Service, Inc.                     | Current rating               |
| May 12, 2016              | CP                       | A1                   | NICE Investors Service Co., Ltd.                  | Current rating               |
| May 12, 2016              | Short-term bond          | A1                   | NICE Investors Service Co., Ltd.                  | Current rating               |
| October 26, 2016          | CP                       | A1                   | Korea Ratings                                     | Regular rating               |
| October 26, 2016          | Short-term bond          | A1                   | NICE Investors Service Co., Ltd.                  | Regular rating               |
| October 26, 2016          | CP                       | A1                   | NICE Investors Service Co., Ltd.                  | Regular rating               |
| October 26, 2016          | Short-term bond          | A1                   | Korea Ratings                                     | Regular rating               |
| November 3, 2016          | CP                       | A1                   | Korea Investors Service, Inc.                     | Regular rating               |
| November 3, 2016          | Short-term bond          | A1                   | Korea Investors Service, Inc.                     | Regular rating               |
| April 12, 2017            | CP                       | A1                   | Korea Ratings                                     | Current rating               |
| April 12, 2017            | CP                       | A1                   | Korea Investors Service, Inc.                     | Current rating               |
| April 12, 2017            | CP                       | A1                   | NICE Investors Service Co., Ltd.                  | Current rating               |
| April 12, 2017            | Short-term bond          | A1                   | Korea Ratings                                     | Current rating               |
| April 12, 2017            | Short-term bond          | A1                   | Korea Investors Service, Inc.                     | Current rating               |
| April 12, 2017            | Short-term bond          | A1                   | NICE Investors Service Co., Ltd.                  | Current rating               |
| 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                   |   | Regular rating               |

NICE Investors Service Co.,  
Ltd.

- \* 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

| <b>Date of credit rating</b> | <b>Subject of rating</b>          | <b>Credit rating of securities</b> | <b>Credit rating company</b>      | <b>Rating type</b> |
|------------------------------|-----------------------------------|------------------------------------|-----------------------------------|--------------------|
| October 24, 2012             | Bonds denominated in U.S. dollars | A-                                 | Fitch Inc.                        | Current rating     |
| October 24, 2012             | Bonds denominated in U.S. dollars | A3                                 | Moody's Investors Service         | Current rating     |
| October 24, 2012             | Bonds denominated in U.S. dollars | A-                                 | Standard & Poor's Rating Services | Current rating     |

- \* On August 9, 2013, Moody's Investors Service raised the outlook on the Company's rating from A3 (Negative) to A3 (Stable).
- \* On November 4, 2015, S&P lowered the outlook on the Company's rating from A- (Positive) to A- (Stable).

## 2. Company History

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



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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 March 31, 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 March 31, 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 18 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.

**[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.

**[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.

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

**[SK Broadband]**

SK Broadband acquired 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 March 31, 2018)

(Unit: in shares)

| Classification                                     | Share type    |                  | Total       | Remarks |
|--|---------------|------------------|-------------|---------|
|  | Common shares | Preferred shares |             |         |
| <b>I. Total number of authorized shares</b>        | 220,000,000   |                  | 220,000,000 |         |
| <b>II. Total number of shares issued to date</b>   | 89,278,946    |                  | 89,278,946  |         |
| <b>III. Total number of shares retired to date</b> | 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  |               |                  |             |         |
| <b>IV. Total number of shares (II-III)</b>         | 80,745,711    |                  | 80,745,711  |         |
| <b>V. Number of treasury shares</b>                | 10,136,551    |                  | 10,136,551  |         |
| <b>VI. Number of shares outstanding (IV-V)</b>     | 70,609,160    |                  | 70,609,160  |         |



**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of March 31, 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 ) | <b>Direct acquisition</b>                  |                            |               |              |             |                      |
|  | <b>from market</b>                         | Common shares              | 10,136,551    |              |             | 10,136,551           |
|  |  | Preferred shares           |               |              |             |                      |
|  | <b>Direct over-the-counter acquisition</b> | Common shares              |               |              |             |                      |
|  |  | Preferred shares           |               |              |             |                      |
|  | <b>Tender offer</b>                        | Common shares              |               |              |             |                      |
|  |  | Preferred shares           |               |              |             |                      |
|  | <b>Sub-total</b>                           | Common shares              | 10,136,551    |              |             | 10,136,551           |
|  |  | Preferred shares           |               |              |             |                      |
|  |  | <b>Held by trustee</b>     | Common shares |              |             |                      |
|  |  | Preferred shares           |               |              |             |                      |
|  |  | Common shares              |               |              |             |                      |
| <b>Other acquisition</b>   |  | Common shares              |               |              |             |                      |
|  |  | Preferred shares           |               |              |             |                      |
| <b>Total</b>   | Common shares                              | 10,136,551                 |               |              | 10,136,551  |                      |
|  | Preferred shares                           |                            |               |              |             |                      |

**4. Status of Voting Rights**

(As of March 31, 2018)

(Unit: in shares)

| Classification          | Number of shares | Remarks    |
|-------------------------|------------------|------------|
| <b>Total shares (A)</b> | Common share     | 80,745,711 |

|   |                 |            |                 |
|---|-----------------|------------|-----------------|
|   | Preferred share |            |                 |
| <b>Number of shares without voting rights (B)</b>   | Common share    | 10,136,551 | Treasury shares |
|   | Preferred share |            |                 |
| <b>Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C)</b> | Common share    |            |                 |
|   | Preferred share |            |                 |
| <b>Shares with restricted voting rights pursuant to Korean law (D)</b>  | Common share    |            |                 |
|   | Preferred share |            |                 |
| <b>Shares with reestablished voting rights (E)</b>  | Common share    |            |                 |
|   | Preferred share |            |                 |
| <b>The number of shares with exercisable voting rights (F = A - B - C - D + E)</b>  | Common share    | 70,609,160 |                 |
|   | Preferred share |            |                 |

## 5. Dividends and Others

### A. Dividends

- (1) Distribution of cash dividends was approved during the 31st General Meeting of Shareholders held on March 20, 2015.

Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.

- (2) Distribution of interim dividends of Won 1,000 was approved during the 378th Board of Directors Meeting on July 23, 2015.

- (3) Distribution of cash dividends was approved during the 32nd General Meeting of Shareholders held on March 18, 2016.

Distribution of cash dividends per share of Won 9,000 (exclusive of an interim dividend of Won 1,000) was approved.

- (4) Distribution of interim dividends of Won 1,000 was approved during the 393rd Board of Directors Meeting on July 28, 2016.

- (5) Distribution of cash dividends was approved during the 33rd General Meeting of Shareholders held on March 24, 2017.

Distribution of cash dividends per share of Won 9,000 (exclusive of an interim dividend of Won 1,000) was approved.

- (6) Distribution of interim dividends of Won 1,000 was approved during the 404<sup>th</sup> Board of Directors Meeting on July 28, 2017.

- (7) 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.



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

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

| <b>Classification</b>                                  | <b>As of and for the three<br/>months ended<br/>March 31, 2018</b> | <b>As of and for the<br/>year ended<br/>December 31, 2017</b> | <b>As of and for the<br/>year ended<br/>December 31, 2016</b> |
|--|--|---|---|
| Par value per share (Won)                              | 500  | 500   | 500   |
| (Consolidated) Net income                              | 694,959  | 2,599,829   | 1,675,967   |
| Net income per share (Won)                             | 9,842  | 36,582  | 23,497  |
| Total cash dividend                                    |  | 706,091   | 706,091   |
| Total stock dividends                                  |  |   |   |
| (Consolidated)   |  |   |   |
| Percentage of cash dividend to<br>available income (%) |  | 27.2  | 42.1  |
| Cash dividend yield ratio<br>(%)                       |  | 3.6   | 4.3   |
| Stock dividend yield ratio<br>(%)                      |  |   |   |
| Cash dividend per share<br>(Won)                       |  | 10,000  | 10,000  |
| Stock dividend per share<br>(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.

| <b>Classification</b> | <b>Company name</b>      | <b>Description of business</b>  |
|-----------------------|--------------------------|---|
| <b>Wireless</b>       | 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  |
| <b>Fixed-line</b>     | 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   |
| <b>Other business</b> | SK Planet Co., Ltd.      | Various platform services such as 11st, Syrup, OK Cashbag in the commerce area  |

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|                                   |  |
|-----------------------------------|--|
| 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 77.1% as of March 31, 2018.

**B. Growth Potential**

| Classification        |                   | (Unit: in 1,000 persons) |                         |                         |
|-----------------------|-------------------|--------------------------|-------------------------|-------------------------|
|                       |                   | As of March 31, 2018     | As of December 31, 2017 | As of December 31, 2016 |
| Number of subscribers | SK Telecom        | 26,880                   | 26,753                  | 26,428                  |
|                       | Others (KT, LGU+) | 28,847                   | 28,375                  | 27,018                  |
|                       | MVNO              | 7,668                    | 7,523                   | 6,841                   |
|                       | <b>Total</b>      | <b>63,395</b>            | <b>62,651</b>           | <b>60,287</b>           |

\* Source: Wireless subscriber data from the Ministry of Science and ICT ( MSIT ) as of March 31, 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.

| Classification                | (Unit: in percentages) |       |                    |       |
|-------------------------------|------------------------|-------|--------------------|-------|
|                               | As of March 31,        |       | As of December 31, |       |
|                               | 2018                   | 2017  | 2016               | 2015  |
| Mobile communication services | 47.87                  | 48.20 | 49.09              | 49.41 |

\* Source: MSIT website and each Korean telecommunications company's respective earnings releases (including MVNOs).

#### **D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the first quarter of 2018, the Company recorded Won 4,182 billion in revenue and Won 326 billion in operating income on a consolidated basis and Won 2,989 billion in revenue and Won 369 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 first quarter of 2018, the average monthly churn rate was 1.3%. The number of subscribers (including MVNO subscribers) as of March 31, 2018 was 30.4 million, an increase of approximately 150,000 since December 31, 2017. In particular, the number of LTE subscribers as of March 31, 2018, was 23.4 million, an increase of approximately 300,000 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 T Kids phone Joon and T Outdoor, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.

Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. The Company launched tri-band LTE-A services in December 2014 and 5band 4.5G services in June 2017. 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 2016 by the Korea Commission for Corporate Partnership for the fifth consecutive year and was selected for the commission's Honored Corporation Award, demonstrating the Company's efforts to be fair and law-abiding in its path towards creating a New ICT ecosystem.

SK Telink, a consolidated subsidiary of the Company, expanded its operations to the MVNO business based on its technical expertise and know-how obtained in its international telecommunications business and launched its MVNO service, 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 for high-speed Internet and fixed-line telephone, in 1,000 terminals for IPTV)

| Classification                |                             | As of                   |                      |                      |
|-------------------------------|-----------------------------|-------------------------|----------------------|----------------------|
|                               |                             | As of March 31,<br>2018 | December 31,<br>2017 | December 31,<br>2016 |
| <b>Fixed-line Subscribers</b> | <b>High-speed Internet</b>  | 21,206                  | 21,196               | 20,556               |
|                               | <b>Fixed-line telephone</b> | 14,862                  | 15,039               | 15,746               |
|                               | <b>IPTV (real-time)</b>     | N.A.                    | 13,314               | 11,850               |

\* Source: MSIT website.

\* The number of IPTV subscribers as of March 31, 2018 is not available as the relevant report by the MSIT has not yet been released.

**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.

| <b>Classification</b>   | <b>(Unit: in percentages)</b> |                                |             |
|---|-------------------------------|--------------------------------|-------------|
|   | <b>As of March 31, 2018</b>   | <b>As of December 31, 2017</b> | <b>2016</b> |
| High-speed Internet (including resales)                               | 25.9                          | 25.7                           | 25.3        |
| Fixed-line telephone (including Voice over Internet Protocol ( VoIP ) | 16.9                          | 16.9                           | 16.9        |
| IPTV  | N.A.                          | 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 as of March 31, 2018 is not available as the relevant report by the MSIT has not yet been released.

### **E. Business Overview and Competitive Strengths**

For the first quarter of 2018, the Company recorded Won 750.7 billion in revenue, Won 22.1 billion in operating income and Won 6.9 billion in profit for the period for its fixed-line business. Although revenue continued to grow due to an increase in the number of premium subscriptions with higher monthly rates and purchases of video-on-demand content, operating profit decreased compared to the previous year due to an increase in operating costs related to its fixed-line business subsidiaries, among other things. The number of subscribers to each of its high-speed internet, residential fixed-line telephones, VoIP services and IPTV services was 5.48 million, 2.37 million, 1.69 million and 4.46 million, respectively (resulting in the total number of telephone subscribers being 4.06 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.

Through upgrades to its infrastructure and expanding its network coverage, the Company has continued to enhance its customer base and increased the proportion of premium subscribers, mainly its Giga internet service subscribers, to 29%. In addition, by improving the distribution capabilities of its direct and indirect channels and Home & Service, it has achieved a net increase in the number of subscribers. In the future, the Company will continue to achieve qualitative growth of its subscriber base by expanding sales based on Home & Service, wireless and fixed-line bundled offerings and strengthening marketing towards its premium subscribers.

With an increase in the number of subscribers and purchases of paid content, the Company's IPTV service business continues to grow steadily and revenue from its IPTV service in the first quarter of 2018 increased by more than 20% compared to the first quarter of 2017. In particular, the proportion of premium subscribers with higher monthly rates increased to approximately 45% as of March 31, 2018 due to the steady sale of premium subscriptions. In addition, the number of subscribers and usage rate of B tv x NUGU, an artificial intelligence-based IPTV service launched in the first quarter of 2018, have steadily increased.

The number of Oksusu subscribers has increased due to an improved user experience through diversification of content and personalized offerings, leading to an increase in its value as a platform as the proportion of sales of paid content has increased. SK Stoa maintained its sales growth by strengthening its channel launch marketing and expanding direct sales of products. In addition, SK Stoa focused on improving its mobile platform service by upgrading its user interface and providing services such as product recommendations in order to enhance its competitiveness.

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 2013. In October 2014, SK Planet and Celcom Axiata Berhad, which is a leading telecommunications service provider in Malaysia, established a joint venture, Celcom Planet, and launched online commerce services tailored to the Malaysian market in April 2015. 11st is actively engaged in operating such business in Malaysia.

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 12.3% in the instant messenger market in Korea with 2.2 million net users during the month of March 2018. Nate, the Company's Internet search portal service, realized a page-view market share of 3.5% as of March 31, 2018. (Source: Korean Click, based on fixed-line access)

## 2. Updates on Major Products and Services

(Unit: in millions of Won and percentages)

| <b>Business</b>   | <b>Major Companies</b>   | <b>Item</b>  | <b>Major Trademarks</b>                                      | <b>Consolidated Sales Amount (ratio)</b> |
|-------------------|--|--|--|--|
| <b>Wireless</b>   | SK Telecom Co., Ltd.,<br>PS&Marketing Co., Ltd.,<br>Network O&S Co., Ltd.  | Mobile communication<br>service,<br>wireless data service,<br>ICT service      | T, Band Data and<br>others                                   | 3,162,026 (76%)                          |
| <b>Fixed-line</b> | SK Broadband Co., Ltd.,<br>SK Telink Co., Ltd.   | Fixed-line phone,<br>high speed Internet,<br>data and network lease<br>service | B tv , 00700<br>international call,<br>SK 7mobile and others | 691,672 (16%)                            |
| <b>Other</b>      | SK Planet Co., Ltd.,<br><br>SK TechX Co., Ltd.,<br><br>Onestore Co., Ltd.,<br>SK Communications Co.,<br>Ltd.,<br><br>M&Service Co., Ltd.,<br><br>SKP America, LLC,<br><br>Shopkick Mgmt. Co., Ltd. | Internet portal service and<br><br><br><br><br><br><br>e-commerce              | 11st, OK Cashbag,<br>NATE, Onestore and<br>others            | 327,839 (8%)                             |
|                   |  | <b>Total</b>   |  | <b>4,181,537 (100%)</b>                  |

**[Wireless Business]**

As of March 31, 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 March 31, 2018, SK Broadband's revenue comprised of 26.8% broadband Internet, 37.7% TV services, 2.4% telephony services, 32.5% corporate business services and 0.6% 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.

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

**3. Investment Status****[Wireless Business]****A. Investment in Progress**

(Unit: in 100 millions of Won)

| <b>Business</b> | <b>Classification</b>        | <b>Investment period</b>                | <b>Subject of investment</b>      | <b>Investment effect</b>   | <b>Expected Amount investment already invested</b> | <b>Future investment</b> |
|-----------------|------------------------------|---|-----------------------------------|--|--|--------------------------|
| Network/Common  | Upgrade/<br>New installation | Three months ended<br>March 31,<br>2018 | Network,<br>systems and<br>others | Capacity increase and<br>quality improvement;<br>systems improvement | 21,000   | 870                      |
| Total           |                              |   |                                   |  | 21,000*  | 870                      |

\* 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<br>Asset type | Amount | Expected investment for each<br>year |                  |                  | Investment effect   |
|----------------|--|--------|--------------------------------------|------------------|------------------|---|
|                |  |        | 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 |
| <b>Total</b>   |  | 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              |                              |                   |  | Expand subscriber networks and facilities              | 170                     |                   |
| Residential fixed-line telephone |                              |                   |  |  | 1                       |                   |
| Television                       |                              | Three months      | Backbone and subscriber network/others |  | 251                     |                   |
| Corporate Business               | Upgrade/<br>New installation | March 31, 2018    |  | Increase leased-line and integrated information system | 90                      | To be determined  |
| Others                           |                              |                   |  | Expand networks and required space                     | 50                      |                   |
| <b>Total</b>                     |                              |                   |  |  | <b>562</b>              |                   |

**4. Revenues**

(Unit: in millions of Won)

| Business          | Sales type | Item  |          | For the three | For the      | For the      |
|-------------------|------------|---|----------|---------------|--------------|--------------|
|                   |            |   |          | months ended  | year ended   | year ended   |
|                   |            |   |          | March 31,     | December 31, | December 31, |
|                   |            |   |          | 2018          | 2017         | 2016         |
| <b>Wireless</b>   | Services   | Mobile communication                                | Export   | 10,043        | 20,507       | 17,393       |
|                   |            |   | Domestic | 3,151,983     | 13,241,628   | 12,987,516   |
|                   |            |   | Subtotal | 3,162,026     | 13,262,135   | 13,004,909   |
| <b>Fixed-line</b> | Services   | Fixed-line,<br>B2B data,<br>High-speed Internet, TV | Export   | 22,111        | 84,395       | 92,630       |
|                   |            |   | Domestic | 669,561       | 2,639,756    | 2,558,563    |
|                   |            |   | Subtotal | 691,672       | 2,724,151    | 2,651,193    |
| <b>Other</b>      | Services   | Display and<br>Search ad., Content                  | Export   | 5,652         | 41,233       | 42,205       |
|                   |            |   | Domestic | 322,187       | 1,492,494    | 1,393,509    |
|                   |            |   | Subtotal | 327,839       | 1,533,727    | 1,435,714    |
| Total             |            |   | Export   | 37,806        | 146,135      | 152,228      |
|                   |            |   | Domestic | 4,143,731     | 17,373,878   | 16,939,588   |
|                   |            |   | Total    | 4,181,537     | 17,520,013   | 17,091,816   |

(Unit: in millions of Won)

**For the three months ended**

| <b>March 31, 2018</b>               | <b>Wireless</b> | <b>Fixed</b> | <b>Other</b> | <b>Sub total</b> | <b>Internal transaction</b> | <b>After consolidation</b> |
|-------------------------------------|-----------------|--------------|--------------|------------------|-----------------------------|----------------------------|
| <b>Total sales</b>                  | 3,549,792       | 922,330      | 411,197      | 4,883,319        | (701,782)                   | 4,181,537                  |
| <b>Internal sales</b>               | 387,766         | 230,658      | 83,358       | 701,782          | (701,782)                   |                            |
| <b>External sales</b>               | 3,162,026       | 691,672      | 327,839      | 4,181,537        |                             | 4,181,537                  |
| <b>Operating income (loss)</b>      | 345,673         | 38,785       | (58,982)     | 325,476          |                             | 325,476                    |
| <b>Profit (loss) for the period</b> |                 |              |              |                  |                             | 906,990                    |
| <b>Total assets</b>                 | 28,407,297      | 4,564,190    | 2,578,514    | 35,550,001       | 584,387                     | 36,134,388                 |
| <b>Total liabilities</b>            | 11,683,548      | 2,692,759    | 1,135,955    | 15,512,263       | 634,302                     | 16,146,565                 |

**5. Derivative Transactions****A. Current Swap Contract Applying Cash Flow Risk Hedge Accounting**

Currency swap contracts under cash flow hedge accounting as of March 31, 2018 are as follows:

| <b>Borrowing date</b> | <b>Hedged item</b>   | <b>Hedged risk</b>                           | <b>Contract type</b>              | <b>Financial institution</b>            | <b>Duration of contract</b>    |
|-----------------------|--|--|-----------------------------------|---|--------------------------------|
| Jul. 20, 2007         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000) | Foreign currency risk                        | Cross currency swap               | Morgan Stanley and five other banks     | Jul. 20, 2007<br>Jul. 20, 2027 |
| Nov. 1, 2012          | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000) | Foreign currency risk                        | Cross currency swap               | Standard Chartered and nine other banks | Nov. 1, 2012<br>May. 1, 2018   |
| Mar. 7, 2013          | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of | Foreign currency risk and interest rate risk | Cross currency interest rate swap | DBS Bank                                | Mar. 7, 2013<br>Mar. 7, 2020   |



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|                   |  |                       |                     |                                   |                                       |
|-------------------|--|-----------------------|---------------------|-----------------------------------|---------------------------------------|
|                   | US\$300,000,000)   |                       |                     |                                   |                                       |
| 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<br>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<br>Apr. 29, 2022        |
| Dec. 20, 2016     | Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million) | Interest rate risk    | Interest rate swap  | Korea Development Bank            | Dec. 20, 2016<br>Dec. 20, 2021        |
| January 30, 2017  | Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 32,667 million) | Interest rate risk    | Interest rate swap  | Korea Development Bank            | Nov. 10, 2016<br>Jul. 30, 2019        |
| March 31, 2017    | Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million) | Interest rate risk    | Interest rate swap  | Korea Development Bank            | March 31, 2017<br>March 31, 2020      |
| December 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            | December 5, 2017<br>December 21, 2022 |

**B. Treatment of Derivative Instruments on the Balance Sheet**

As of March 31, 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      |                                    | Total    |
|--|-----------------|------------------------------------|----------|
|  | Cash flow hedge | Trading<br>Embedded<br>derivatives |          |
| <b>Non-current assets:</b>   |                 |                                    |          |
| Structured bond<br>(face value of Won 50,000 million)  |                 | 9,373                              | 9,373    |
| Fixed-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value of<br>US\$400,000,000)     | 2,768           |                                    | 2,768    |
| Floating-to-fixed interest rate swap<br>(Korean Won denominated bonds face value of KRW 49,000<br>million) | 289             |                                    | 289      |
| Floating-to-fixed interest rate swap<br>(Korean Won denominated bonds face value of KRW 28,553<br>million) | 41              |                                    | 41       |
| Floating-to-fixed interest rate swap<br>(Korean Won denominated bonds face value of KRW 50,000<br>million) | 41              |                                    | 41       |
| <b>Total assets:</b>   |                 |                                    | 12,512   |
| <b>Current liabilities:</b>  |                 |                                    |          |
| Floating-to-fixed interest rate swap<br>(U.S. dollar denominated bonds face value of US\$<br>700,000,000)  | (30,988)        |                                    | (30,988) |
| Floating-to-fixed interest rate swap<br>(U.S. dollar denominated bonds face value of US\$<br>300,000,000)  | (2,911)         |                                    | (2,911)  |
| <b>Non-current liabilities:</b>  |                 |                                    |          |
| Floating-to-fixed interest rate swap<br>(U.S. dollar denominated bonds face value of US\$<br>300,000,000)  | (6,989)         |                                    | (6,989)  |
| Fixed-to-fixed interest rate swap<br>(U.S. dollar denominated bonds face value of US\$ 57,535,000)         | (3,901)         |                                    | (3,901)  |
| Floating-to-fixed interest rate swap<br>(Korean Won denominated bonds face value of KRW 30,000<br>million) | (145)           |                                    | (145)    |
| <b>Total liabilities:</b>  |                 |                                    | (44,934) |

**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.

| <b>Counterparty</b>                 | <b>Contract Contents</b>                                  | <b>Contract Period</b>  | <b>Note</b>  |
|-------------------------------------|---|---|--|
| 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<br><br>(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 three months ended |                   |                   | Remarks |
|--|----------------------------|-------------------|-------------------|---------|
|  | March 31, 2018             | December 31, 2017 | December 31, 2016 |         |
| Raw material   | 21                         | 1,261             | 659               |         |
| Labor  | 36,632                     | 139,845           | 116,108           |         |
| Depreciation   | 37,267                     | 144,301           | 125,827           |         |
| Commissioned service   | 12,425                     | 76,042            | 54,714            |         |
| Others   | 10,225                     | 53,112            | 53,785            |         |
| Total R&D costs  | 96,570                     | 414,562           | 351,093           |         |
| Accounting   |                            |                   |                   |         |
| Sales and administrative expenses  | 89,425                     | 395,276           | 344,787           |         |
| Development expenses (Intangible assets)                                   | 7,145                      | 19,285            | 6,306             |         |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | 2.31%                      | 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 March 31, 2018, the Company held 5,432 Korean-registered patents and 1,465 foreign-registered patents. The Company holds 754 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet

T. The designed alphabet T is registered in all business categories for trademarks (total of 45). 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 March 31, 2018, SK Broadband held 347 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

**[SK Planet]**

As of March 31, 2018, SK Planet held 2,501 registered patents, 129 registered design marks, 1,318 registered trademarks and 9 copyrights (including those held jointly with other companies) in Korea. It also holds 171 U.S.-registered patents, 107 Chinese-registered patents, 74 Japanese-registered patents, 54 E.U.-registered patents (all including patents held jointly with other companies) and 428 registered trademarks, along with a number of other intellectual property rights, in other countries.

**[SK Communications]**

As of March 31, 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 March 31, 2018, December 31, 2017 and December 31, 2016 and for the three months ended March 31, 2018 and 2017 and the years ended December 31, 2017 and 2016. The Company's unaudited consolidated financial statements as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 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   | As of             | As of             |
|   | March 31, 2018  | December 31, 2017 | December 31, 2016 |
| <b>Assets</b>                                       |   |                   |                   |
| Current Assets                                      | 8,471,298   | 6,201,799         | 5,996,628         |
| Cash and Cash Equivalents                           | 1,885,744   | 1,457,735         | 1,505,242         |
| Accounts Receivable Trade, net                      | 2,090,501   | 2,126,007         | 2,240,926         |
| Accounts Receivable Other, net                      | 1,510,693   | 1,260,835         | 1,121,444         |
| Others  | 2,984,360   | 1,357,222         | 1,129,016         |
| Non-Current Assets                                  | 27,663,090  | 27,226,870        | 25,301,035        |
| Long-Term Investment Securities                     | 1,096,656   | 887,007           | 828,521           |
| Investments in Associates and Joint Ventures        | 10,064,015  | 9,538,438         | 7,404,323         |
| Property and Equipment, net                         | 9,648,556   | 10,144,882        | 10,374,212        |
| Intangible Assets, net                              | 3,452,451   | 3,586,965         | 3,776,354         |
| Goodwill  | 1,917,813   | 1,915,017         | 1,932,452         |
| Others  | 1,483,599   | 1,154,561         | 985,173           |
| Total Assets  | 36,134,388  | 33,428,669        | 31,297,663        |
| <b>Liabilities</b>                                  |   |                   |                   |
| Current Liabilities                                 | 6,883,712   | 7,109,123         | 6,444,099         |
| Non-Current Liabilities                             | 9,262,853   | 8,290,351         | 8,737,134         |
| Total Liabilities                                   | 16,146,565  | 15,399,474        | 15,181,233        |
| <b>Equity</b>                                       |   |                   |                   |
| Equity Attributable to Owners of the Parent Company | 19,791,062  | 17,842,139        | 15,971,399        |
| Share Capital                                       | 44,639  | 44,639            | 44,639            |
| Capital Surplus (Deficit) and Other                 |   |                   |                   |
| Capital Adjustments                                 | 196,821   | 196,281           | 199,779           |
| Retained Earnings                                   | 19,842,372  | 17,835,946        | 15,953,164        |
| Reserves  | (292,770)   | (234,727)         | (226,183)         |
| Non-controlling Interests                           | 196,761   | 187,056           | 145,031           |

|                                  |            |            |            |
|----------------------------------|------------|------------|------------|
| Total Equity                     | 19,987,823 | 18,029,195 | 16,116,430 |
| Total Liabilities and Equity     | 36,134,388 | 33,428,669 | 31,297,663 |
| Number of Companies Consolidated | 43         | 39         | 38         |

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

|  | <b>For the<br/>three<br/>months<br/>ended</b> | <b>For the<br/>three<br/>months<br/>ended</b> | <b>For the year<br/>ended</b> | <b>For the year<br/>ended</b> |
|--|---|---|-------------------------------|-------------------------------|
|  | <b>March 31, 2018</b>                         | <b>March 31, 2017</b>                         | <b>December 31, 2017</b>      | <b>December 31, 2016</b>      |
| Operating Revenue  | 4,181,537                                     | 4,234,365                                     | 17,520,013                    | 17,091,816                    |
| Operating Income   | 325,476                                       | 410,502                                       | 1,536,626                     | 1,535,744                     |
| Profit Before Income Tax   | 906,990                                       | 724,220                                       | 3,403,249                     | 2,096,139                     |
| Profit for the Period  | 693,372                                       | 583,481                                       | 2,657,595                     | 1,660,101                     |
| Profit for the Period<br>Attributable to Owners of the<br>Parent Company | 694,959                                       | 589,134                                       | 2,599,829                     | 1,675,967                     |
| Profit for the Period<br>Attributable to Non-controlling<br>Interests    | (1,587)                                       | (5,653)                                       | 57,766                        | (15,866)                      |



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

|   | For the three<br>months ended<br>March 31, 2018 | For the three<br>months ended<br>March 31, 2017 | For the<br>year ended<br>December 31,<br>2017 | For the<br>year ended<br>December 31,<br>2016 |
|---|---|---|---|---|
| Basic and Diluted Earnings<br>Per Share (Won) | 9,842   | 8,344   | 36,582  | 23,497  |

**B. Summary Financial Information (Separate)**

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

(Unit: in millions of Won)

|  | As of March 31,<br>2018 | As of December 31,<br>2017 | As of December 31,<br>2016 |
|--|-------------------------|----------------------------|----------------------------|
| <b>Assets</b>                                    |                         |                            |                            |
| Current Assets                                   | 6,087,078               | 3,768,098                  | 3,661,115                  |
| Cash and Cash Equivalents                        | 1,296,107               | 880,583                    | 874,350                    |
| Accounts Receivable Trade, net                   | 1,518,649               | 1,520,209                  | 1,594,504                  |
| Accounts Receivable Other, net                   | 1,250,604               | 1,003,509                  | 772,570                    |
| Others   | 2,021,718               | 363,797                    | 419,691                    |
| Non-Current Assets                               | 21,700,256              | 21,789,424                 | 21,787,459                 |
| Long-Term Investment                             |                         |                            |                            |
| Securities                                       | 698,010                 | 724,603                    | 560,966                    |
| Investments in Subsidiaries and<br>Associates    | 9,186,013               | 9,152,321                  | 8,726,538                  |
| Property and Equipment, net                      | 6,521,269               | 6,923,133                  | 7,298,539                  |
| Intangible Assets, net                           | 2,947,021               | 3,089,545                  | 3,275,663                  |
| Goodwill   | 1,306,236               | 1,306,236                  | 1,306,236                  |
| Others   | 1,041,707               | 593,586                    | 619,517                    |
| Total Assets                                     | 27,787,334              | 25,557,522                 | 25,448,574                 |
| <b>Liabilities</b>                               |                         |                            |                            |
| Current Liabilities                              | 4,840,602               | 4,767,401                  | 4,464,160                  |
| Non-Current Liabilities                          | 6,531,282               | 5,782,730                  | 6,727,460                  |
| Total Liabilities                                | 11,371,884              | 10,550,131                 | 11,191,620                 |
| <b>Equity</b>                                    |                         |                            |                            |
| Share Capital                                    | 44,639                  | 44,639                     | 44,639                     |
| Capital Surplus and Other<br>Capital Adjustments | 372,034                 | 371,895                    | 371,481                    |
| Retained Earnings                                | 16,008,029              | 14,512,556                 | 13,902,627                 |

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|                              |            |            |            |
|------------------------------|------------|------------|------------|
| Reserves                     | (9,252)    | 78,301     | (61,793)   |
| Total Equity                 | 16,415,450 | 15,007,391 | 14,256,954 |
| Total Liabilities and Equity | 27,787,334 | 25,557,522 | 25,448,574 |

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

|   | <b>For the three<br/>months ended<br/>March 31, 2018</b> | <b>For the three<br/>months ended<br/>March 31, 2017</b> | <b>For the<br/>year ended<br/>December 31,<br/>2017</b> | <b>For the<br/>year ended<br/>December 31,<br/>2016</b> |
|---|--|--|---|---|
| Operating Revenue                             | 2,988,538  | 3,087,956  | 12,468,035  | 12,350,479  |
| Operating Income                              | 369,257  | 439,396  | 1,697,709   | 1,782,172   |
| Profit Before Income Tax                      | 477,476  | 489,633  | 1,603,808   | 1,562,782   |
| Profit for the Period                         | 364,427  | 388,206  | 1,331,114   | 1,217,274   |
| Basic and Diluted Earnings<br>Per Share (Won) | 5,161  | 5,498  | 18,613  | 17,001  |

## 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 three months ended March 31, 2018**

|                           | <b>Gross amount</b> | <b>Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,364,784           | 261,828         | 11%               |
| Loans                     | 176,125             | 47,421          | 27%               |
| Accounts receivable other | 1,715,337           | 73,712          | 4%                |
| Accrued income            | 6,369               |                 | 0%                |
| Guarantee deposits        | 291,705             |                 | 0%                |
| <b>Total</b>              | <b>4,554,320</b>    | <b>382,961</b>  | <b>8%</b>         |

(Unit: in millions of Won)

**For the year ended December 31, 2017**

|                           | <b>Gross amount</b> | <b>Doubtful Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|--------------------------|-------------------|
| 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%                |
| <b>Total</b>              | <b>4,463,009</b>    | <b>362,171</b>           | <b>8%</b>         |

(Unit: in millions of Won)

**For the year ended December 31, 2016**

|                           | <b>Gross amount</b> | <b>Doubtful Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|--------------------------|-------------------|
| Accounts receivable trade | 2,503,139           | 241,828                  | 10%               |
| Loans                     | 172,982             | 48,527                   | 28%               |

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|                     |       |           |         |    |
|---------------------|-------|-----------|---------|----|
| Accounts receivable | other | 1,350,090 | 78,977  | 6% |
| Accrued income      |       | 2,780     |         | 0% |
| Guarantee deposits  |       | 302,901   |         | 0% |
| <b>Total</b>        |       | 4,331,892 | 369,332 | 9% |

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

(Unit: in millions of Won)

|   | <b>For the<br/>three<br/>months<br/>ended</b> | <b>For the year<br/>ended</b> | <b>For the year<br/>ended</b> |
|---|---|-------------------------------|-------------------------------|
|   | <b>March 31, 2018</b>                         | <b>December 31, 2017</b>      | <b>December 31, 2016</b>      |
| <b>Beginning balance</b>                    | 362,171                                       | 369,332                       | 344,016                       |
| Effect of change in accounting policy       | 13,049  |                               |                               |
| Increase of allowance for doubtful accounts | 13,534  | 40,377                        | 78,132                        |
| Reversal of allowance for doubtful accounts |   |                               |                               |
| Write-offs                                  | (10,289)                                      | (70,802)                      | (79,891)                      |
| Other                                       | 4,496   | 23,264                        | 27,075                        |
| <b>Ending balance</b>                       | 382,961                                       | 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 March 31, 2018  |                                   |                                    |                          |           |      |
|---------------------|---------|-----------------------|-----------------------------------|------------------------------------|--------------------------|-----------|------|
|                     |         | Six months or<br>less | From six<br>months to one<br>year | From one year<br>to three<br>years | More than<br>three years | Total     |      |
| Accounts receivable | general | 2,062,542             | 44,146                            | 159,511                            | 98,584                   | 2,364,784 |      |
| Percentage          |         | 87%                   | 2%                                | 7%                                 | 4%                       |           | 100% |

## C. Inventories

## (1) Detailed Categories of Inventories

(Unit: in millions of Won)

| Account Category                          | For the three<br>months ended<br>March 31, 2018 | For the year ended<br>December 31,<br>2017 | For the year ended<br>December 31,<br>2016 |
|---|---|--|--|
| Merchandise                               | 233,872   | 243,975                                    | 225,958                                    |
| Goods in transit                          |   |  |  |
| Other inventories                         | 20,611  | 28,428                                     | 33,888                                     |
| <b>Total</b>                              | 254,483   | 272,403                                    | 259,846                                    |
| Percentage of inventories to total assets |   |  |  |
| [ Inventories / Total assets ]            | 0.70%   | 0.81%                                      | 0.83%                                      |
| Inventory turnover                        | 6.24  | 7.09                                       | 6.89                                       |

[ Cost of sales / { ( Beginning  
balance of inventories + Ending  
balance of inventories ) / 2 } ]

(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 March 31, 2018 and December 31, 2017 and for the three months ended March 31, 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.

| <b>Name</b>                | <b>Issue Date</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>                 |
|----------------------------|-------------------|----------------------|-------------------------|--|-------------------------------------|
| 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   |

| <b>Name</b>                | <b>Issue Date</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>         |
|----------------------------|-------------------|----------------------|-------------------------|--|-----------------------------|
| 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  
Compliance StatusDebt ratio no greater than 300%  
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

Disposal of assets per fiscal year not to exceed 2 trillion won

Restriction on Disposition of Assets Key Term Compliance Status Compliant

Submission of Compliance Certificate Compliance Status Submitted on April 25, 2018

| <b>Name</b>                | <b>Issue Date</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>            |
|----------------------------|-------------------|----------------------|-------------------------|--|--------------------------------|
| 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<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant  |
| Restriction on Liens                 | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 5 trillion won<br>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<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant  |
| Restriction on Liens                           | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets           | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 50% of total assets<br>Compliant   |
| Restriction on Changes of Management Structure | Key Term<br>Compliance Status | Restriction of cross-shareholding<br>Exclusion from corporate group<br>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<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant  |
| Restriction on Liens                           | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets           | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 50% of total assets<br>Compliant   |
| Restriction on Changes of Management Structure | Key Term<br>Compliance Status | Restriction of cross-shareholding<br>Exclusion from corporate group<br>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.

| <b>Name</b>         |           | <b>Issue Date</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>            |
|---------------------|-----------|-------------------|----------------------|-------------------------|--|--------------------------------|
| Unsecured Bond 38-2 | Series    | 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 40-2 | Series    | 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 43-1 | Series    | Oct. 5, 2016      | Oct. 5, 2019         | 50,000                  | Sept. 22, 2016                         | Korea Securities Finance Corp. |
| Unsecured Bond 43-2 | Series    | 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  |

| <b>Name</b>    |             | <b>Issue Date</b> | <b>Maturity Date</b> | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>            |
|----------------|-------------|-------------------|----------------------|-------------------------|--|--------------------------------|
| 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<br>Compliance Status | Disposal of assets per fiscal year not to exceed 70% of total assets<br>Compliant |
| Submission of Compliance Certificate | Compliance Status             | Submitted on April 23, 2018   |

| <b>Name</b>                | <b>Issue Date</b> | <b>Maturity Date</b>      | <b>Principal Amount</b> | <b>Date of Fiscal Agency Agreement</b> | <b>Fiscal Agent</b>            |
|----------------------------|-------------------|---------------------------|-------------------------|--|--------------------------------|
| 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, 2021 <sup>3</sup> | 80,000                  | Jan. 19, 2018                          | Korea Securities Finance Corp. |

|  |                               |   |
|--|-------------------------------|---|
| Maintenance of Financial Ratio                 | Key Term<br>Compliance Status | Debt ratio no greater than 400%<br>Compliant  |
| Restriction on Liens                           | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets           | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 70% of total assets<br>Compliant   |
| Restriction on Changes of Management Structure | Key Term<br>Compliance Status | Restriction on changes of management structure<br>Compliant   |
| Submission of Compliance Certificate           | Compliance Status             | To be submitted in August 2018  |

**IV. AUDITOR S OPINION****1. Auditor (Consolidated)**

**Three months ended March 31, 2018**  
KPMG Samjong Accounting Corp.

**Year ended December 31, 2017**  
KPMG Samjong Accounting Corp.

**Year ended December 31, 2016**  
KPMG Samjong Accounting Corp.

**2. Audit Opinion (Consolidated)**

| <b>Period</b>                     | <b>Auditor s opinion</b> | <b>Issues noted</b> |
|-----------------------------------|--------------------------|---------------------|
| Three months ended March 31, 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)

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

**B. Non-Audit Services Contract with External Auditors**

(Unit: in millions of Won)

| <b>Period</b>                        | <b>Contract date</b>             | <b>Service provided</b>                            | <b>Service duration</b>                                      | <b>Fee</b> |
|--------------------------------------|----------------------------------|--|--|------------|
| Three months ended<br>March 31, 2018 | March 5, 2018                    | Issuance of comfort letters                        | March 5, 2018-April 26, 2018                                 | 110        |
| Year ended December 31,<br>2017      | March 10, 2017<br>April 28, 2017 | Issuance of comfort letters<br>Consulting services | March 10, 2017-March 30, 3017<br>April 28, 2017-May 12, 2017 | 30<br>300  |
| Year ended December 31,<br>2016      | May 10, 2016                     | Confirmation of financial<br>information           | May 10-May 12, 2016  | 2          |



**4. Change of Independent Auditors**

Not applicable.

**V. MANAGEMENT'S DISCUSSION AND ANALYSIS**

Omitted in quarterly reports in accordance with Korean disclosure rules.

**VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS****1. Board of Directors****A. Overview of the Composition of the Board of Directors**

The Company's board of directors (the Board of Directors) is composed of 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 March 31, 2018)

| <b>Total number</b> | <b>Non-executive</b>         |                 |   |
|---------------------|------------------------------|-----------------|---|
| <b>of persons</b>   | <b>Inside director</b>       | <b>director</b> | <b>Independent directors</b>  |
| 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**

| <b>Meeting</b>                        | <b>Date</b>      | <b>Agenda</b>  | <b>Approval</b>      |
|---------------------------------------|------------------|--|----------------------|
| 409th<br>(the 1st meeting of<br>2018) | February 2, 2018 | Business Plan for 2018   | Approved as proposed |
|                                       |                  | Financial statements as of and for the year ended<br>December 31, 2017   | Approved as proposed |
|                                       |                  | Annual business report as of and for the year ended<br>December 31, 2017 | Approved as proposed |
|                                       |                  | Delegation of funding through long-term<br>borrowings in 2018            | Approved as proposed |
|                                       |                  | Lease contract with SK Broadband   | Approved as proposed |
|                                       |                  | Approval of IT SM transactions in 2018                                   | Approved as proposed |
|                                       |                  |  | Approved as proposed |

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|                                       |                   |  |                      |
|---------------------------------------|-------------------|--|----------------------|
|                                       |                   | Report on welfare fund for 2018                        | Approved as proposed |
|                                       |                   | Share acquisition of FSK L&S                           | Approved as proposed |
|                                       |                   | Establishment of SK Telecom Japan                      | Approved as proposed |
|                                       |                   | Report of internal accounting management               |                      |
|                                       |                   | Donation to community in 2017                          |                      |
|                                       |                   | Report for the period after the fourth quarter of 2017 |                      |
| 410th<br>(the 2nd meeting of<br>2018) | February 20, 2018 | Adoption of electronic voting system                   | Approved as proposed |
|                                       |                   | Establishment of corporate governance charter          | Approved as proposed |
|                                       |                   | Grant of stock options                                 | Approved as proposed |
|                                       |                   | Plan for the 34th General Meeting of Shareholders      | Approved as proposed |
|                                       |                   | Donation to the Korean Fencing Association             |                      |
|                                       |                   | Results on internal accounting management              |                      |

| <b>Meeting</b>                        | <b>Date</b>    | <b>Agenda</b>  | <b>Approval</b>      |
|---------------------------------------|----------------|--|----------------------|
| 411th<br>(the 3rd meeting of<br>2018) | March 31, 2018 | Election of the chairman of the Board of Directors             | Approved as proposed |
|                                       |                | Election of committee members                                  | Approved as proposed |
|                                       |                | Reappointment of compliance officer                            | Approved as proposed |
|                                       |                | Transactions with SK Holdings in the second quarter of<br>2018 | Approved as proposed |
|                                       |                | Transactions related to corporate bonds with SK<br>Securities  | Approved as proposed |
|                                       |                | Transactions related to fund management with SK<br>Securities  | Approved as proposed |
|                                       |                | Donation to Korea Foundation of Advance Studies for<br>2018    |                      |
|                                       |                | Donation to SK Happiness Foundation for 2018                   |                      |

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

### C. Committees within Board of Directors

(1) Committee structure (as of March 31, 2018)

(a) Compensation Review Committee

| <b>Total number</b> | <b>Members</b>          |   | <b>Task</b>                               |
|---------------------|-------------------------|---|---|
| <b>of persons</b>   | <b>Inside Directors</b> | <b>Independent Directors</b>            |   |
| 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

| <b>Total number</b> | <b>Members</b>          |                              | <b>Task</b> |
|---------------------|-------------------------|------------------------------|-------------|
| <b>of persons</b>   | <b>Inside Directors</b> | <b>Independent Directors</b> |             |

|   |                |  |   |
|---|----------------|--|---|
| 6 | Young Sang Ryu | Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn,<br>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

| <b>Total number</b> | <b>Members</b>          |  |   |
|---------------------|-------------------------|--|---|
| <b>of persons</b>   | <b>Inside Directors</b> | <b>Independent Directors</b>             | <b>Task</b>   |
| 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

| <b>Total number</b> | <b>Members</b>          |                              |                                     |
|---------------------|-------------------------|------------------------------|-------------------------------------|
| <b>of persons</b>   | <b>Inside Directors</b> | <b>Independent Directors</b> | <b>Task</b>                         |
| 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

| <b>Total number</b> | <b>Members</b>          |   |   |
|---------------------|-------------------------|---|---|
| <b>of persons</b>   | <b>Inside Directors</b> | <b>Independent Directors</b>                                | <b>Task</b>   |
| 4                   |                         | Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn,<br>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 March 31, 2018 are set forth below.

| Meeting                       | Date                 | Agenda   | Approval             |
|-------------------------------|----------------------|--|----------------------|
| The 1st<br>meeting of<br>2018 | February 1,<br>2018  | Evaluation of internal accounting management system operation  | Approved as proposed |
|                               |                      | 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  | Approved as proposed |
|                               |                      | Appointment of external auditor for the period of 2018 to 2020   |                      |
| The 2nd<br>meeting of<br>2018 | February 19,<br>2018 | Report on the IFRS audit of fiscal year 2017   |                      |
|                               |                      | Report on review of 2017 internal accounting management system   | Approved as proposed |
|                               |                      | Evaluation of internal accounting management system operation  | Approved as proposed |
|                               |                      | Agenda and document review for the 34th General Meeting of Shareholders                                |                      |
| The 3rd<br>meeting of<br>2018 | March 20,<br>2018    | Auditor's report for fiscal year 2017  | Approved as proposed |
|                               |                      | Report on contract for customer appreciation gifts to fixed-line telephone customers for 2018          | Approved as proposed |
|                               |                      | Contract for maintenance services of optical cables in 2018  | Approved as proposed |
|                               |                      | Contract for maintenance services of transmission equipment in 2018                                    | Approved as proposed |
|                               |                      | Consulting contract to undertake a global project  | Approved as proposed |

\* 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 <sup>th</sup> 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 March 31, 2018)

(Unit: in shares and percentages)

| Name                  | Relationship   | Type of share | Number of shares owned and ownership ratio |               | Number of shares | Ownership ratio |
|-----------------------|----------------|---------------|--|---------------|------------------|-----------------|
|                       |                |               | Beginning of Period                        | End of Period |                  |                 |
|                       |                |               | shares                                     | 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 March 31, 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 March 31, 2018)

(Unit: in shares and percentages)

| <b>Largest Shareholder</b> | <b>Date of the change in the largest shareholder/<br/>Date of change in shareholding</b> | <b>Shares Held</b> | <b>Holding Ratio</b> | <b>Remarks</b>   |
|----------------------------|--|--------------------|----------------------|--|
|                            | 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  |
| SK Holdings                | January 2, 2015  | 20,364,290         | 25.22                | Shin Won Chey, SKC's Chairman, disposed of 4,000 shares  |
|                            | March 20, 2015   | 20,363,803         | 25.22                | Appointment of CEO Dong Hyun Jang (ownership of 251 shares of the Company), Retirement of Sung Min Ha  |
|                            | June 9, 2015   | 20,365,006         | 25.22                | Purchase through the Share Exchange between SK Broadband and SK Telecom (Shin Won Chey, SKC's Chairman, purchased 1,067 shares, and Myung Hyun Cho, SK Broadband's independent director, purchased 136 shares) |
|                            | August 3, 2015   | 20,364,930         | 25.22                | Myung Hyun Cho, SK Broadband's independent director, disposed of 76 shares   |
|                            | March 24, 2017   | 20,364,870         | 25.22                | Retirement of Myung Hyun Cho, SK Broadband's independent director (ownership of 60 shares of the Company)  |
|                            | March 28, 2017   | 20,365,370         | 25.22                | Jung Ho Park, CEO of the Company, purchased 500 shares.  |
|                            | March 30, 2017   | 20,365,870         | 25.22                | Jung Ho Park, CEO of the Company, purchased 500 additional shares.   |
|                            | 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 March 31, 2018) (Unit: in shares and percentages)

| Rank   | Name (title)             | Number of shares | Common share ownership ratio | Remarks         |
|--|--------------------------|------------------|------------------------------|-----------------|
| 1  | Citibank ADR             | 8,899,423        | 11.02%                       |                 |
| 2  | SK Holdings              | 20,363,452       | 25.22%                       |                 |
| 3  | SK Telecom               | 10,136,551       | 12.55%                       | Treasury shares |
| 4  | National Pension Service | 7,392,350        | 9.16%                        |                 |
| Shareholdings under the Employee Stock Ownership Program |                          |                  | 0.00%                        |                 |

### B. Shareholder Distribution

(As of March 31, 2018) (Unit: in shares and percentages)

| Classification               | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------|------------------------|-----------|------------------|-----------|---------|
| Total minority shareholders* | 55,348                 | 99.9%     | 33,953,935       | 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                      |         | March 2018 | February 2018 | January 2018 | December 2017 | November 2017 | October 2017 |
|----------------------------|---------|------------|---------------|--------------|---------------|---------------|--------------|
| Common stock               | Highest | 239,500    | 262,000       | 280,000      | 278,000       | 266,000       | 271,500      |
|                            | Lowest  | 226,500    | 239,500       | 259,500      | 265,000       | 250,500       | 257,500      |
|                            | Average | 232,429    | 246,222       | 268,682      | 272,789       | 257,429       | 265,281      |
| Daily transaction volume   | Highest | 282,839    | 326,122       | 289,341      | 311,676       | 360,444       | 385,055      |
|                            | Lowest  | 98,455     | 101,187       | 84,282       | 103,005       | 77,429        | 106,643      |
| Monthly transaction volume |         | 3,832,650  | 3,043,979     | 3,936,581    | 3,367,783     | 3,210,365     | 3,455,291    |

**B. Foreign Securities Market (New York Stock Exchange)**

| Types                             |                | March<br>2018 | February<br>2018 | January<br>2018 | December<br>2017 | November<br>2017 | October<br>2017 |
|-----------------------------------|----------------|---------------|------------------|-----------------|------------------|------------------|-----------------|
| <b>Depository receipt</b>         | <b>Highest</b> | 24.70         | 27.19            | 28.82           | 28.65            | 27.44            | 26.61           |
|                                   | <b>Lowest</b>  | 23.26         | 24.32            | 27.26           | 27.31            | 25.06            | 24.64           |
|                                   | <b>Average</b> | 24.03         | 25.12            | 27.93           | 27.92            | 26.00            | 25.63           |
| <b>Daily transaction volume</b>   | <b>Highest</b> | 1,057,248     | 1,405,563        | 739,383         | 925,415          | 1,147,063        | 770,068         |
|                                   | <b>Lowest</b>  | 296,949       | 257,666          | 266,543         | 149,153          | 143,245          | 224,851         |
| <b>Monthly transaction volume</b> |                | 11,081,045    | 10,347,790       | 9,419,815       | 8,743,541        | 9,815,224        | 10,629,949      |

## VIII.EMPLOYEES AND DIRECTORS

### 1. Employees

(As of March 31, 2018)

(Unit: in persons and millions of Won)

| Business segment | Gender | Number of employees                          |   | Total        | Aggregate wage                                |                         |                         |
|------------------|--------|--|---|--------------|---|-------------------------|-------------------------|
|                  |        | Employees without a fixed term of employment | Employees with a fixed term of employment |              | Average for the first three months of service | Average wage per person | Average wage per person |
|                  |        | Part-time                                    | Part-time                                 | Total        | year  | 2017                    | person                  |
|                  | Male   | 3,888  | 60  | 3,948        | 13.1  | 210,512                 | 53                      |
|                  | Female | 636  | 66  | 702          | 9.9   | 26,432                  | 38                      |
| <b>Total</b>     |        | <b>4,524</b>                                 | <b>126</b>                                | <b>4,650</b> | <b>12.6</b>                                   | <b>236,945</b>          | <b>51</b>               |

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

### 2. Compensation of Directors

#### A. Amount Approved at the Shareholders Meeting

(As of March 31, 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 March 31, 2018)

(Unit: in millions of Won)

| Number of Directors | Aggregate Amount Paid | Average Amount Paid Per Director | Remarks |
|---------------------|-----------------------|----------------------------------|---------|
| 8                   | 2,737                 | 342                              |         |

##### B-2. Amount by Classification

(As of March 31, 2018)

(Unit: in millions of Won)

| Classification | Number of Directors | Aggregate Amount Paid | Amount Paid Per Director | Remarks |
|----------------|---------------------|-----------------------|--------------------------|---------|
|----------------|---------------------|-----------------------|--------------------------|---------|

|                       |   |       |     |
|-----------------------|---|-------|-----|
| Inside Directors      | 3 | 2,648 | 883 |
| Independent Directors | 1 | 19    | 19  |
| Audit Committee       |   |       |     |
| Members               | 4 | 70    | 17  |
| Auditor               |   |       |     |

**3. Individual Compensation of Directors**

Omitted in quarterly reports in accordance with Korean disclosure rules.

#### 4. Stock Options Granted and Exercised

##### A. Stock Options Granted to Directors and Auditors

| (As of March 31, 2018)  |                     | (Unit: in millions of Won) |         |
|-------------------------|---------------------|----------------------------|---------|
| Classification          | Number of Directors | Fair Value of Stock Option | Remarks |
| Inside Directors        | 3                   | 139                        |         |
| Independent Directors   | 1                   |                            |         |
| Audit Committee Members | 4                   |                            |         |
| Total                   | 8                   | 139                        |         |

\* 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.

##### B. Stock Options Granted and Exercised

| (As of March 31, 2018) |                               |                   |                 | (Unit: in Won and shares) |                              |  |                |
|------------------------|-------------------------------|-------------------|-----------------|---------------------------|------------------------------|--|----------------|
| Grantee                | Relationship with the Company | Date of Grant     | Method of Grant | Changes in Grants         | Unexercised Number of Shares | Exercise Period                        | Exercise Price |
| Jung Ho Park           | Inside Director               | March 24, 2017    | Treasury stock  | 22,168                    | 22,168                       | March 25, 2019<br>March 24, 2022       | 246,750        |
| Jung Ho Park           | Inside Director               | March 24, 2017    | Treasury stock  | 22,168                    | 22,168                       | March 25, 2020<br>March 24, 2023       | 266,490        |
| Jung Ho Park           | Inside Director               | March 24, 2017    | Treasury stock  | 22,168                    | 22,168                       | March 25, 2021<br>March 24, 2024       | 287,810        |
| Young Sang Ryu         | Inside Director               | February 20, 2018 | Treasury stock  | 1,358                     | 1,358                        | February 21, 2020<br>February 20, 2023 | 254,120        |
| Sung Won Suh           | Officer                       | February 20, 2018 | Treasury stock  | 2,755                     | 2,755                        | February 21, 2020<br>February 20, 2023 | 254,120        |
| Sang Ho Lee            | Officer                       | February 20, 2018 | Treasury stock  | 1,594                     | 1,594                        | February 21, 2020<br>February 20, 2023 | 254,120        |

\* On March 31, 2018, the closing price was Won 233,500.

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category               | Change details |                   | Ending | Accrued interest | Remarks |
|-----------------------|--------------|--------------------------------|----------------|-------------------|--------|------------------|---------|
|                       |              |                                | Beginning      | Increase Decrease |        |                  |         |
| SK Wyverns            | Affiliate    | Long-term and short-term loans | 611            |                   | 611    | 7                |         |

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

(As of March 31, 2018)

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Type of investment | Details Change |                   | Ending | Remarks           |
|-----------------------|--------------|--------------------|----------------|-------------------|--------|-------------------|
|                       |              |                    | Beginning      | Increase Decrease |        |                   |
| 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 March 31, 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.     | 18,000      | Third party appraisal |

**Transfer of Assets**

None.

**3. Transactions with the Largest Shareholder and Related Parties**

None.

**4. Related Party Transactions**

See note 29 of the notes to the Company's unaudited consolidated financial statements as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 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)**

(Unit: in millions of Won)

| Name (Corporate name)   | Relationship | Account category               | Beginning | Change details |          | Ending | Accrued interest | Remarks |
|-------------------------|--------------|--------------------------------|-----------|----------------|----------|--------|------------------|---------|
|                         |              |                                |           | Increase       | Decrease |        |                  |         |
| Baekmajang and others   |              | Long-term and short-term loans | 61,930    | .65,201        | 49,889   | 77,242 |                  |         |
| Daehan Kanggun BCN Inc. | Investee     | Long-term loans                | 22,147    |                |          | 22,147 |                  |         |

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**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**

| <b>Date</b>                              | <b>Agenda</b>  | <b>Resolution</b>                             |
|--|--|---|
| 32nd Fiscal Year                         | 1. Approval of the financial statements for the year ended December 31, 2015 | Approved (Cash dividend, Won 9,000 per share) |
| Meeting of Shareholders (March 18, 2016) | 2. Amendments to Articles of Incorporation                                   |   |
|  | 3. Election of directors   | Approved                                      |
|  | Election of an inside director   |   |
|  | Election of an independent director  | Approved (Dae Sik Cho)                        |
|  | 4. Election of an independent director as Audit Committee member             | Approved (Dae Shick Oh)                       |
|  |  | Approved (Dae Shick Oh)                       |
|  | 5. Approval of remuneration limit for directors                              |   |
|  | 6. Amendments to executive payroll regulations                               | Approved (Won 12 billion)                     |
|  |  | Approved                                      |
| 33rd Fiscal Year                         | 1. Approval of the financial statements for the year ended December 31, 2016 | Approved (Cash dividend, Won 9,000 per share) |
| Meeting of Shareholders (March 24, 2017) | 2. Amendments to Articles of Incorporation                                   |   |
|  | 3. Election of directors   | Approved                                      |
|  | Election of an inside director   |   |
|  | Election of a non-executive director   | Approved (Jung Ho Park)                       |
|  | Election of an independent director  | Approved (Dae Sik Cho)                        |
|  | Election of an independent director  | Approved (Jae Hoon Lee)                       |
|  | Election of an independent director  | Approved (Jae Hyeon Ahn)                      |

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4. Election of an independent director as Audit Committee member Approved (Jung Ho Ahn)

Election of an independent director as Audit Committee member Approved (Jae Hoon Lee)

Election of an independent director as Audit Committee member Approved (Jae Hyeon Ahn)

5. Approval of remuneration limit for directors

6. Award of stock options Approved (Won 12 billion)

Approved

34th Fiscal Year 1. Approval of the financial statements for the year ended December 31, 2017 Approved (Cash dividend, Won 9,000 per share)

Meeting of 2. Award of stock options

Shareholders 3. Election of directors Approved

(March 21, 2018) Election of an inside director

Election of an independent director Approved (Young Sang Ryu)

4. Election of an independent director as Audit Committee member Approved (Youngmin Yoon)

Approved (Youngmin Yoon)

5. Approval of remuneration limit for directors

Approved (Won 12 billion)

**2. Contingent Liabilities**

**[SK Telecom]**

**A. Material Legal Proceedings**

None.

**B. Other Contingent Liabilities**

None.

**[SK Broadband]**

**A. Material Legal Proceedings**

As of March 31, 2018, there were 14 lawsuits against SK Broadband (total amount of Won 3,899 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 4,144 million to others, including Seodaemoon Guksa, on a part of its buildings in connection with the leasing of the buildings.

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

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 19,900 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 March 31, 2018, there were six pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claims was Won 3,125 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 March 31, 2018 are set forth in the table below.

(Unit: in thousands of Won)

| <b>Financial Institution</b> | <b>Borrowing</b>     | <b>Limit Amount</b> | <b>Borrowed Amount</b> |
|------------------------------|----------------------|---------------------|------------------------|
| 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 March 31, 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         | 10,490,301 |
|                             |                                   | Guarantee fulfillment of contractual obligations | 450,000    |
|                             | KEB Hana Bank                     | Other guarantees                                 | 707,000    |

The material payment guarantee provided to a third party by SK Planet as of March 31, 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 12.4 billion and Won 3.9 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 219 million to business partners through Seoul Guarantee Insurance Company.

**[SK Communications]****A. Material Legal Proceedings**

As of March 31, 2018, the aggregate amount of pending claims against SK Communications was Won 12.6 million. There were five 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 March 31, 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 March 31, 2018, there was one pending case against Iriver for damages of Won 1 billion. The management does not believe that the outcome of any of such proceedings will have a material effect on the Company's financial position, and as a result, related reserves were not recorded in the Company's financial statements.

**B. Other Contingent Liabilities**

(1) Iriver's borrowings from financial institutions as of March 31, 2018 are set forth in the table below.

| (Unit: in thousands of Won) |               |              |                 |
|-----------------------------|---------------|--------------|-----------------|
| Financial Institution       | Borrowing     | Limit Amount | Borrowed Amount |
| Kookmin Bank                | Trade finance | 1,000,000    |                 |

(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 first quarters of 2018 and 2017 were Won 2,087 million and Won 225 million, respectively, and such fees are included in cost of sales.

[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 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 March 31, 2018

On May 8, 2018, the board of directors of SK Telecom approved the acquisition of 740,895 shares of Siren Holdings Korea Co., Ltd., which owns a 100% equity stake in ADT CAPS Co., Ltd., for a purchase price of Won 702 billion in order to strengthen its security business and expand its residential customer base. Details regarding this transaction are set forth in the Form 6-K furnished by the Company to the U.S. Securities and Exchange Commission on May 8, 2018.



**[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.

[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: Paid the fine and agreed to establish an industrial safety and health committee and implement training programs by June 29, 2018.

Company's plan: Execute the correctional order.

**4. Use of Direct Financing**

**A. Use of Proceeds from Public Offerings**

Not applicable.

**B. Use of Proceeds from Private Offerings**

Not applicable.

SIGNATURES

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

**SK Telecom Co., Ltd.**

(Registrant)

By: /s/ Jeong Hwan Choi  
(Signature)

Name: Jeong Hwan Choi  
Title: Senior Vice President

Date: June 14, 2018

**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**March 31, 2018 and 2017**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of March 31, 2018, the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditors' responsibility**

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

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

### **Conclusion**

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

### **Emphasis of matter**

As a matter that does not have an impact on our review conclusion, we highlight the attention of the users of the above-mentioned financial statements of the Company for the following matter described in Note 3 to the condensed separate financial statements. The Company has initially adopted K-IFRS No. 1109 and 1115 for the year beginning on January 1, 2018, and the Company has taken an exemption not to restate the condensed separate financial statements as of December 31, 2017 or for the three-month period ended March 31, 2017, presented for comparative purposes, in accordance with transition requirements. The financial impacts of applying K-IFRS No. 1109 and 1115

are discussed in Note 3.



**Other matters**

The separate statement of financial position of the Company as of December 31, 2017, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2018, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2017, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

May 11, 2018

This report is effective as of May 11, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## SK TELECOM CO., LTD.

## Condensed Separate Statements of Financial Position

As of March 31, 2018 and December 31, 2017

| <i>(In millions of won)</i>                                | <i>Note</i>     | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|-----------------|---------------------------|------------------------------|
| <b>Assets</b>  |                 |                           |                              |
| <b>Current Assets:</b>                                     |                 |                           |                              |
| Cash and cash equivalents                                  | 3,25,26         | ₩ 1,296,107               | 880,583                      |
| Short-term financial instruments                           | 3,25,26         | 84,500                    | 94,000                       |
| Short-term investment securities                           | 3,6,25,26       | 47,407                    | 47,383                       |
| Accounts receivable trade, net                             | 3,4,25,26,27    | 1,518,649                 | 1,520,209                    |
| Short-term loans, net                                      | 3,4,25,26,27    | 69,706                    | 54,403                       |
| Accounts receivable other, net                             | 3,4,25,26,27,28 | 1,250,604                 | 1,003,509                    |
| Prepaid expenses   | 3,5             | 1,779,288                 | 121,121                      |
| Inventories, net   |                 | 21,548                    | 29,837                       |
| Advance payments and other                                 | 3,4,25,26       | 19,269                    | 17,053                       |
| <b>Total Current Assets</b>                                |                 | <b>6,087,078</b>          | <b>3,768,098</b>             |
| <b>Non-Current Assets:</b>                                 |                 |                           |                              |
| Long-term financial instruments                            | 25,26           | 382                       | 382                          |
| Long-term investment securities                            | 6,25,26         | 698,010                   | 724,603                      |
| Investments in subsidiaries, associates and joint ventures | 7               | 9,186,013                 | 9,152,321                    |
| Property and equipment, net                                | 8,27            | 6,521,269                 | 6,923,133                    |
| Goodwill   |                 | 1,306,236                 | 1,306,236                    |
| Intangible assets, net                                     | 9               | 2,947,021                 | 3,089,545                    |
| Long-term loans, net                                       | 3,4,25,26,27    | 7,368                     | 7,512                        |
| Long-term accounts receivable other                        | 3,4,25,26,27,28 | 130,932                   | 285,118                      |
| Long-term prepaid expenses                                 | 3,5             | 696,138                   | 25,169                       |
| Guarantee deposits   | 3,4,25,26,27    | 172,063                   | 173,513                      |
| Long-term derivative financial assets                      | 3,25,26         | 12,142                    | 30,608                       |
| Deferred tax assets  | 3,23            |                           | 30,953                       |
| Defined benefit assets                                     | 13              | 22,433                    | 40,082                       |
| Other non-current assets                                   |                 | 249                       | 249                          |
| <b>Total Non-Current Assets</b>                            |                 | <b>21,700,256</b>         | <b>21,789,424</b>            |
| <b>Total Assets</b>  |                 | <b>₩ 27,787,334</b>       | <b>25,557,522</b>            |

See accompanying notes to the condensed separate interim financial statements.

## SK TELECOM CO., LTD.

## Condensed Separate Statements of Financial Position, Continued

As of March 31, 2018 and December 31, 2017

| <i>(In millions of won)</i>                                     | <i>Note</i> | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|-------------|---------------------------|------------------------------|
| <b>Liabilities and Shareholders Equity</b>                      |             |                           |                              |
| <b>Current Liabilities:</b>                                     |             |                           |                              |
| Accounts payable other  | 25,26,27    | 1,723,983                 | 1,664,054                    |
| Current installments of long-term debt, net                     | 10,25,26    | ₩ 998,278                 | 1,131,047                    |
| Current installments of long-term payables other                | 11,25,26    | 297,838                   | 301,751                      |
| Receipts in advance   | 3           |                           | 76,126                       |
| Contract liabilities  | 3,14        | 49,705                    |                              |
| Withholdings  | 3,25,26     | 743,327                   | 517,991                      |
| Accrued expenses  | 25,26       | 650,848                   | 790,368                      |
| Income tax payable  | 23          | 295,918                   | 206,060                      |
| Unearned revenue  | 3           |                           | 3,705                        |
| Derivative financial liabilities                                | 25,26       | 30,988                    | 27,791                       |
| Provisions  | 12          | 49,717                    | 48,508                       |
| <b>Total Current Liabilities</b>                                |             | <b>4,840,602</b>          | <b>4,767,401</b>             |
| <b>Non-Current Liabilities:</b>                                 |             |                           |                              |
| Debentures, excluding current installments, net                 | 10,25,26    | 4,760,460                 | 4,334,848                    |
| Long-term borrowings, excluding current installments, net       | 10,25,26    | 42,292                    | 42,486                       |
| Long-term payables - other, excluding current installments, net | 11,25,26    | 1,036,400                 | 1,328,630                    |
| Long-term contract liabilities                                  | 3,14        | 6,334                     |                              |
| Long-term unearned revenue                                      | 3           |                           | 7,033                        |
| Long-term derivative financial liabilities                      | 25,26       | 10,890                    | 10,719                       |
| Long-term provisions  | 12          | 16,085                    | 16,178                       |
| Deferred tax liabilities  | 3,23        | 614,618                   |                              |
| Other non-current liabilities                                   | 25,26       | 44,203                    | 42,836                       |
| <b>Total Non-Current Liabilities</b>                            |             | <b>6,531,282</b>          | <b>5,782,730</b>             |
| <b>Total Liabilities</b>  |             | <b>11,371,884</b>         | <b>10,550,131</b>            |
| <b>Shareholders Equity:</b>                                     |             |                           |                              |
| Share capital   | 1,15        | 44,639                    | 44,639                       |
| Capital surplus and others                                      | 15,16       | 372,034                   | 371,895                      |
| Retained earnings   | 17          | 16,008,029                | 14,512,556                   |
| Reserves  | 18          | (9,252)                   | 78,301                       |
| <b>Total Shareholders Equity</b>                                |             | <b>16,415,450</b>         | <b>15,007,391</b>            |
| <b>Total Liabilities and Shareholders Equity</b>                |             | <b>₩ 27,787,334</b>       | <b>25,557,522</b>            |

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

## SK TELECOM CO., LTD.

## Condensed Separate Statements of Income

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won except for per share data)</i> | <i>Note</i>    | <b>March 31,<br/>2018</b> | <b>March 31,<br/>2017</b> |
|---|----------------|---------------------------|---------------------------|
| <b>Operating revenue:</b>                             | <i>3,19,27</i> |                           |                           |
| Revenue   |                | ₩ 2,988,538               | 3,087,956                 |
| <b>Operating expenses:</b>                            | <i>27</i>      |                           |                           |
| Labor   |                | 175,027                   | 156,878                   |
| Commissions   | <i>3</i>       | 1,132,942                 | 1,197,517                 |
| Depreciation and amortization                         |                | 600,719                   | 585,471                   |
| Network interconnection                               |                | 162,603                   | 156,734                   |
| Leased line   |                | 70,539                    | 75,898                    |
| Advertising   |                | 25,998                    | 22,444                    |
| Rent  |                | 111,406                   | 111,521                   |
| Cost of goods that have been resold                   |                | 123,168                   | 135,435                   |
| Others  | <i>20</i>      | 216,879                   | 206,662                   |
|   |                | 2,619,281                 | 2,648,560                 |
| <b>Operating profit</b>                               | <i>3</i>       | <b>369,257</b>            | <b>439,396</b>            |
| Finance income  | <i>22</i>      | 181,288                   | 128,068                   |
| Finance costs   | <i>22</i>      | (67,016)                  | (66,879)                  |
| Other non-operating income                            | <i>21</i>      | 12,125                    | 7,176                     |
| Other non-operating expenses                          | <i>21</i>      | (18,178)                  | (18,128)                  |
| <b>Profit before income tax</b>                       | <i>3</i>       | <b>477,476</b>            | <b>489,633</b>            |
| Income tax expense                                    | <i>3,23</i>    | 113,049                   | 101,427                   |
| <b>Profit for the period</b>                          | <i>3</i>       | <b>₩ 364,427</b>          | <b>388,206</b>            |
| <b>Earnings per share:</b>                            |                |                           |                           |
| Basic and diluted earnings per share (in won)         | <i>24</i>      | ₩ 5,161                   | 5,498                     |

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>  | <i>Note</i> | <b>March 31,<br/>2018</b> | <b>March 31,<br/>2017</b> |
|--|-------------|---------------------------|---------------------------|
| <b>Profit for the period</b>   |             | <b>₩ 364,427</b>          | <b>388,206</b>            |
| <b>Other comprehensive income (loss):</b>  |             |                           |                           |
| <b>Items that will never be reclassified to profit or loss, net of taxes:</b>              |             |                           |                           |
| Remeasurement of defined benefit liabilities   | <i>13</i>   | (7,068)                   | (6,778)                   |
| Valuation loss on financial assets at fair value through other comprehensive income        | <i>18</i>   | (20,139)                  |                           |
| <b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b> |             |                           |                           |
| Net change in unrealized fair value of available-for-sale financial assets                 | <i>18</i>   |                           | 43,337                    |
| Net change in unrealized fair value of derivatives   | <i>18</i>   | (9,025)                   | (7,729)                   |
| <b>Other comprehensive income(loss) for the period, net of taxes</b>                       |             | <b>(36,232)</b>           | <b>28,830</b>             |
| <b>Total comprehensive income</b>  |             | <b>₩ 328,195</b>          | <b>417,036</b>            |

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

## SK TELECOM CO., LTD.

## Condensed Separate Statements of Changes in Equity

For the three-month periods ended March 31, 2018 and 2017

| of won)              | Note  | Share<br>capital | Paid-in<br>surplus | Capital surplus and others |                 |                 | Sub-total | Retained<br>earnings | Reserves   |          |
|----------------------|-------|------------------|--------------------|----------------------------|-----------------|-----------------|-----------|----------------------|------------|----------|
|                      |       |                  |                    | Treasury<br>share          | Hybrid<br>bonds | Share<br>Option |           |                      |            | Other    |
| January 1, 2017      |       | ₩ 44,639         | 2,915,887          | (2,260,626)                | 398,518         |                 | (682,298) | 371,481              | 13,902,627 | (61,793) |
| Comprehensive        |       |                  |                    |                            |                 |                 |           |                      |            |          |
| For the period       |       |                  |                    |                            |                 |                 |           |                      | 388,206    |          |
| Comprehensive        |       |                  |                    |                            |                 |                 |           |                      |            |          |
| (Decrease)           | 13,18 |                  |                    |                            |                 |                 |           |                      | (6,778)    | 35,608   |
|                      |       |                  |                    |                            |                 |                 |           |                      | 381,428    | 35,608   |
| Changes with owners: |       |                  |                    |                            |                 |                 |           |                      |            |          |
| Dividends            |       |                  |                    |                            |                 |                 |           |                      | (635,482)  |          |
|                      |       |                  |                    |                            |                 | 12              |           | 12                   |            |          |
|                      |       |                  |                    |                            |                 | 12              |           | 12                   | (635,482)  |          |
| March 31, 2017       |       | ₩ 44,639         | 2,915,887          | (2,260,626)                | 398,518         | 12              | (682,298) | 371,493              | 13,648,573 | (26,185) |
| December 31,         |       | ₩ 44,639         | 2,915,887          | (2,260,626)                | 398,518         | 414             | (682,298) | 371,895              | 14,512,556 | 78,301   |
| Options              |       |                  |                    |                            |                 |                 |           |                      |            |          |
| 1115                 | 3     |                  |                    |                            |                 |                 |           |                      | 1,723,985  |          |
| Options              |       |                  |                    |                            |                 |                 |           |                      |            |          |
| 1109                 | 3     |                  |                    |                            |                 |                 |           |                      | 49,611     | (58,389) |
| January 1, 2018      |       | ₩ 44,639         | 2,915,887          | (2,260,626)                | 398,518         | 414             | (682,298) | 371,895              | 16,286,152 | 19,912   |
| Comprehensive        |       |                  |                    |                            |                 |                 |           |                      |            |          |
| For the period       |       |                  |                    |                            |                 |                 |           |                      | 364,427    |          |
| Comprehensive        |       |                  |                    |                            |                 |                 |           |                      |            |          |
| (Decrease)           | 13,18 |                  |                    |                            |                 |                 |           |                      | (7,068)    | (29,164) |
|                      |       |                  |                    |                            |                 |                 |           |                      | 357,359    | (29,164) |
| Changes with owners: |       |                  |                    |                            |                 |                 |           |                      |            |          |
| Dividends            |       |                  |                    |                            |                 |                 |           |                      | (635,482)  |          |
|                      |       |                  |                    |                            |                 | 139             |           | 139                  |            |          |
|                      |       |                  |                    |                            |                 | 139             |           | 139                  | (635,482)  |          |

|                |          |           |             |         |     |           |         |            |         |
|----------------|----------|-----------|-------------|---------|-----|-----------|---------|------------|---------|
| March 31, 2018 | ₩ 44,639 | 2,915,887 | (2,260,626) | 398,518 | 553 | (682,298) | 372,034 | 16,008,029 | (9,252) |
|----------------|----------|-----------|-------------|---------|-----|-----------|---------|------------|---------|

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



## SK TELECOM CO., LTD.

## Condensed Separate Statements of Cash Flows

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>                                       | Note | March 31,<br>2018  | March 31,<br>2017 |
|---|------|--------------------|-------------------|
| <b>Cash flows from operating activities:</b>                      |      |                    |                   |
| Cash generated from operating activities:                         |      |                    |                   |
| Profit for the period   |      | ₩ 364,427          | 388,206           |
| Adjustments for income and expenses                               | 29   | 650,734            | 664,564           |
| Changes in assets and liabilities related to operating activities | 29   | (27,161)           | (56,740)          |
| Sub-total   |      | 988,000            | 996,030           |
| Interest received   |      | 9,674              | 18,186            |
| Dividends received  |      | 7,766              |                   |
| Interest paid   |      | (56,360)           | (45,751)          |
| Income tax paid   |      | (13,719)           | (72,439)          |
| <b>Net cash provided by operating activities</b>                  |      | <b>935,361</b>     | <b>896,026</b>    |
| <b>Cash flows from investing activities:</b>                      |      |                    |                   |
| Cash inflows from investing activities:                           |      |                    |                   |
| Decrease in short-term investment securities, net                 |      |                    | 50,000            |
| Decrease in short-term financial instruments, net                 |      | 9,500              | 1,000             |
| Collection of short-term loans                                    |      | 49,889             | 47,248            |
| Decrease in long-term financial instruments                       |      |                    | 1                 |
| Proceeds from disposal of long-term investment securities         |      | 3,051              | 4,111             |
| Proceeds from disposal of property and equipment                  |      | 630                | 7,095             |
| Proceeds from disposal of intangible assets                       |      | 23                 | 672               |
| Sub-total   |      | 63,093             | 110,127           |
| Cash outflows for investing activities:                           |      |                    |                   |
| Increase in short-term loans                                      |      | (65,201)           | (53,844)          |
| Acquisition of long-term investment securities                    |      |                    | (16)              |
| Acquisition of investments in subsidiaries and associates         |      | (33,692)           | (45,139)          |
| Acquisitions of property and equipment                            |      | (474,765)          | (473,587)         |
| Acquisitions of intangible assets                                 |      | (4,359)            | (4,750)           |
| Sub-total   |      | (578,017)          | (577,336)         |
| <b>Net cash used in investing activities</b>                      |      | <b>₩ (514,924)</b> | <b>(467,209)</b>  |

See accompanying notes to the condensed separate interim financial statements.



SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>                                   | Note | March 31,<br>2018  | March 31,<br>2017 |
|---|------|--------------------|-------------------|
| <b>Cash flows from financing activities:</b>                  |      |                    |                   |
| Cash inflows from financing activities:                       |      |                    |                   |
| Proceeds from issuance of debentures                          |      | ₩ 497,975          |                   |
| Sub-total   |      | 497,975            |                   |
| Cash outflows for financing activities:                       |      |                    |                   |
| Repayments of long-term accounts payable-other                |      | (302,867)          | (302,867)         |
| Repayments of debentures                                      |      | (200,000)          |                   |
| Sub-total   |      | (502,867)          | (302,867)         |
| <b>Net cash used in financing activities</b>                  |      | <b>(4,892)</b>     | <b>(302,867)</b>  |
| <b>Net increase in cash and cash equivalents</b>              |      | <b>415,545</b>     | <b>125,950</b>    |
| Cash and cash equivalents at beginning of the period          |      | 880,583            | 874,350           |
| Effects of exchange rate changes on cash and cash equivalents |      | (21)               | (126)             |
| <b>Cash and cash equivalents at end of the period</b>         |      | <b>₩ 1,296,107</b> | <b>1,000,174</b>  |

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

## 1. Reporting Entity

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

The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of March 31, 2018, the Company's total issued shares are held by the following shareholders:

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

## 2. Basis of Preparation

### (1) Statement of compliance

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since December 31, 2017. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

### (2) Use of estimates and judgments

#### 1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2017 except significant judgments and key sources of estimation uncertainty related to the K-IFRS 1115 and 1109 that are described in Note 3.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

## 2. Basis of Preparation, Continued

(2) Use of estimates and judgments, Continued

### 2) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies

The significant accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2017, except for the following changes in accounting policies described below. The following changes in accounting policies are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2018.

#### (1) Changes in accounting policies

The Company has initially adopted K-IFRS No. 1115, *Revenue from Contracts with Customers*, and K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018. A number of other amended standards are effective from January 1, 2018 but they do not have a material effect on the Company's condensed separate interim financial statements.

##### 1) K-IFRS No. 1115, *Revenue from Contracts with Customers*

K-IFRS No. 1115, *Revenue from contracts with customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaced the revenue recognition guidance, including K-IFRS No. 1018 *Revenue*, K-IFRS No. 1011, *Construction Contracts*, K-IFRS No. 2031, *Revenue: Barter Transactions Involving Advertising Services*, K-IFRS No. 2113, *Customer Loyalty Programs*, K-IFRS No. 2115, *Agreements for the Construction of Real Estate*, and K-IFRS No. 2118, *Transfers of Assets from Customers*.

The Company has adopted K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018 using the cumulative effect method with the effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at January 1, 2018. The Company applied K-IFRS No. 1115 retrospectively only to contracts that are not completed contracts at the date of initial application, which is January 1, 2018 using the practical expedient permitted by K-IFRS No. 1115.

##### i) Incremental costs to acquire a contract

The Company pays commissions to its direct retail stores and authorized dealers in connection with acquiring service contracts. The commissions paid to these agents historically constituted a significant portion of the Company's operating expenses. These commissions would not have been paid if there have been no binding contracts with subscribers. K-IFRS No. 1115 requires the Company to capitalize certain costs associated with commissions paid to sales agents to obtain new customer contracts and amortize them over the expected contract periods with customers. As a result of applying K-IFRS No. 1115, the Company recognized ₩2,356,136 million of prepaid expenses as at January 1, 2018.

##### ii) Contract liability

Upon adoption of K-IFRS No. 1115, the Company reclassified the receipts in advance and unearned revenue amounting to ₩44,045 million that are related to prepaid rate plans and customer loyalty program, respectively, to contract liabilities as at January 1, 2018.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

1) K-IFRS No. 1115, *Revenue from Contracts with Customers*, Continued

iii) Impact of adopting K-IFRS No. 1115 on the condensed separate interim financial statements

If K-IFRS No. 1018 were applied on the Company's condensed separate statements of financial position as of March 31, 2018, prepaid expenses and long-term prepaid expenses would be decreased by ₩1,657,821 million and ₩671,574 million, respectively, while deferred tax assets would be increased by ₩10,328 million. As a result, total assets would be decreased by ₩2,319,067 million. In addition, total liabilities would be decreased by ₩614,618 million, with decrease of contract liabilities, long-term contract liabilities and deferred tax liabilities by ₩49,705 million, ₩6,334 million and ₩614,618 million, respectively, while other liabilities such as receipts in advance would be increased by ₩56,039 million. In relation to these changes in assets and liabilities, retained earnings would be decreased by ₩1,704,449 million.

If K-IFRS No. 1018 were applied on the Company's condensed separate statements of income for the three-month period ended March 31, 2018, revenues would be increased by ₩4,357 million, while commissions would be decreased by ₩22,384 million. Operating profit and profit before income tax would be increased by ₩26,741 million. As a result, profit for the period would be increased by ₩19,536 million with increase in income tax expense of ₩7,205 million.

When compared to K-IFRS No. 1018, the adoption of K-IFRS No. 1115 did not have material impact on the Company's condensed separate statement of cash flows for the three-month period ended March 31, 2018.

2) K-IFRS No. 1109, *Financial Instruments*

K-IFRS No. 1109 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces K-IFRS No. 1039 *Financial Instruments: Recognition and Measurement*. The Company adopted K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018, and the Company has taken an exemption not to restate the financial statements for prior years in accordance with the transition requirements.

The following table explains the impact of transition to K-IFRS No. 1109 on the opening balance of reserves and retained earnings as at January 1, 2018.

| <i>(In millions of won)</i> | <b>Reserves</b> | <b>Retained earnings</b> |
|-----------------------------|-----------------|--------------------------|
|                             | ₩ 106           | (4,495)                  |

|   |                  |               |
|---|------------------|---------------|
| Reclassification of available-for-sale financial assets to financial assets at fair value through profit or loss( FVTPL )                       |                  |               |
| Reclassification of available-for-sale financial assets to financial assets measured at fair value through other comprehensive income ( FVOCI ) | (79,908)         | 85,349        |
| Recognition of loss allowances on accounts receivable - trade and others  |                  | (13,049)      |
| Related tax   | 21,413           | (18,194)      |
|   | <b>₩(58,389)</b> | <b>49,611</b> |

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities. However, it eliminates the previous K-IFRS No. 1039 categories for financial assets of held to maturity, available for sale, loans, and receivables.

Under K-IFRS No. 1109, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under K-IFRS No. 1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. If a contract contains embedded derivatives and the host is an asset within the scope of K-IFRS No. 1109, then such embedded derivatives are not separated.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flow; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is an account receivable - trade without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

- (1) Changes in accounting policies, Continued
- 2) K-IFRS No. 1109, *Financial Instruments*, Continued

- i) Classification of financial assets and financial liabilities, Continued

The following accounting policies apply to the subsequent measurement of financial assets.

|                                    |  |
|------------------------------------|--|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.   |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.                             |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.   |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities, Continued

The following table explains the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Company's financial assets as at January 1, 2018.

| (In millions of won)                 | Original                                   | New  | Original carrying                  |   | Difference |
|--------------------------------------|--|--|------------------------------------|---|------------|
|                                      | classification<br>under K-IFRS<br>No. 1039 | classification<br>under K-IFRS<br>No. 1109 | amount under<br>K-IFRS<br>No. 1039 | New carrying<br>amount under<br>K-IFRS No. 1109 |            |
| <b>Short-term financial assets:</b>  |  |  |                                    |   |            |
| Cash and cash equivalents            | Amortized cost                             | Amortized cost                             | ₩ 880,583                          | 880,583   |            |
| Short-term financial instruments     | Amortized cost                             | Amortized cost                             | 94,000                             | 94,000  |            |
| Short-term investment securities(*1) | Available-for-sale                         | FVTPL                                      | 47,383                             | 47,383  |            |
| Accounts receivable - trade          | Amortized cost                             | Amortized cost                             | 1,520,209                          | 1,507,259                                       | (12,950)   |
| Short-term loans                     | Amortized cost                             | Amortized cost                             | 54,403                             | 54,403  |            |
| Accounts receivable - other(*3)      | Amortized cost                             | FVTPL                                      | 759,720                            | 759,720   |            |
| Accounts receivable - other          | Amortized cost                             | Amortized cost                             | 243,789                            | 243,690   | (99)       |
| Accrued revenue                      | Amortized cost                             | Amortized cost                             | 659                                | 659   |            |
|                                      |  |  | 3,600,746                          | 3,587,697                                       | (13,049)   |
| <b>Long-term financial assets:</b>   |  |  |                                    |   |            |
| Long-term financial instruments      | Amortized cost                             | Amortized cost                             | 382                                | 382   |            |
| Long-term investment securities(*1)  | Available-for-sale                         | FVTPL                                      | 75,527                             | 71,138  | (4,389)    |
| Long-term investment securities(*2)  | Available-for-sale                         | FVOCI                                      | 649,076                            | 654,517   | 5,441      |

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|   |                                |                                |             |           |          |
|---|--------------------------------|--------------------------------|-------------|-----------|----------|
| Long-term loans                           | Amortized cost                 | Amortized cost                 | 7,512       | 7,512     |          |
| Long-term accounts receivable - other(*3) | Amortized cost                 | FVTPL                          | 243,742     | 243,742   |          |
| Long-term accounts receivable - other     | Amortized cost                 | Amortized cost                 | 41,376      | 41,376    |          |
| Guarantee deposits                        | Amortized cost                 | Amortized cost                 | 173,513     | 173,513   |          |
| Derivative financial assets               | Derivatives hedging instrument | Derivatives hedging instrument | 21,554      | 21,554    |          |
| Derivative financial assets               | Designated as at FVTPL         | FVTPL                          | 9,054       | 9,054     |          |
|   |                                |                                | 1,221,736   | 1,222,788 | 1,052    |
|   |                                |                                | ₩ 4,822,482 | 4,810,485 | (11,997) |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities, Continued

The following table explains the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Company's financial assets as at January 1, 2018, Continued.

- (\*1) As of January 1, 2018, available-for-sale financial assets such as beneficiary certificates and equity investments amounting to ₩122,910 million were reclassified to financial assets measured at FVTPL. As the contractual terms of these assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, these assets were not qualified to be designated as financial assets measured at amortized cost. As a result of this reclassification, as at January 1, 2018, accumulated OCI of ₩ (-)106 million was reclassified to retained earnings and, due to its new classification to financial assets measured at FVTPL, retained earnings was decreased by ₩4,389 million. In addition, change in the fair value of these financial assets of ₩181 million was recognized in loss before income tax during the three month period ended March 31, 2018.
- (\*2) As of January 1, 2018, available-for-sale financial assets such as marketable equity instruments amounting to ₩649,076 million were reclassified to equity investments at FVOCI. As a result of this reclassification, as at January 1, 2018, accumulated OCI of ₩85,349 million was reclassified to retained earnings and accumulated OCI was increased by ₩5,441 million due to the fair value measurement of financial assets which were stated at cost under K-IFRS No. 1039. The Company designated equity instruments that are not held for trading as FVOCI on initial application of K-IFRS No. 1109 with no recycling of amounts from OCI to profit and loss.
- (\*3) As of January 1, 2018, loans and receivables of ₩1,003,462 million, including of accounts receivable - other, were reclassified from loans and receivables to debt instruments at FVTPL. Upon the initial application of K-IFRS No. 1109, the Company reclassified the debt instruments to financial instruments at FVTPL whose objectives of the business model are achieved both by collecting contractual cash flows and selling financial assets. There was no material impact on retained earnings as at January 1, 2018 as the fair values of these debt instruments were not significantly different from the carrying amounts as of December 31, 2017.

ii) Impairment of financial assets



K-IFRS No. 1109 sets out a new expected credit loss (ECL) impairment model which replaces the incurred loss model under K-IFRS No. 1039 for recognizing and measuring impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under K-IFRS No. 1109, credit losses are recognized earlier than under K-IFRS No. 1039.

ECLs are a probability-weighted estimate of credit losses. Cred losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

ii) Impairment of financial assets, Continued

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

As a result of applying K-IFRS No. 1109, as of January 1, 2018, the Company recognized the impairment loss on debt instruments at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

iii) Hedge accounting

When initially applying K-IFRS No. 1109, the Company elected as its accounting policy to apply hedge accounting requirements under K-IFRS No. 1109. The Company designates derivatives such as currency swaps as hedging instruments to hedge the risk of variability in cash flows associated with the foreign currency debentures and borrowings. As the Company's hedging instruments as of January 1, 2018 satisfy the hedge requirements of retrospective testing (80~125%) under K-IFRS No. 1039, there is no material effect of applying K-IFRS No. 1109.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

(1) Changes in accounting policies, Continued

3) The following table explain the impacts of adopting K-IFRS 1115 and 1109 on the Company's statements of financial position as of January 1, 2018.

| <i>(In millions of won)</i>      | December 31,      | Adjustments      |                 | January 1,        |
|----------------------------------|-------------------|------------------|-----------------|-------------------|
|                                  | 2017              | K-IFRS 1115      | K-IFRS 1109     | 2018              |
|                                  | As reported       |                  |                 | Restated          |
| <b>Current Assets:</b>           | 3,768,098         | 1,711,387        | (13,049)        | 5,466,436         |
| Accounts receivable - trade, net | 1,520,209         |                  | (12,950)        | 1,507,259         |
| Accounts receivable - other, net | 1,003,509         |                  | (99)            | 1,003,410         |
| Prepaid expenses                 | 121,121           | 1,711,387        |                 | 1,832,508         |
| Others                           | 1,123,259         |                  |                 | 1,123,259         |
| <b>Non-Current Assets:</b>       | 21,789,424        | 613,796          | 1,052           | 22,404,272        |
| Long-term investment             |                   |                  |                 |                   |
| Securities                       | 724,603           |                  | 1,052           | 725,655           |
| Long-term prepaid expenses       | 25,169            | 644,749          |                 | 669,918           |
| Deferred tax assets              | 30,953            | (30,953)         |                 |                   |
| Others                           | 21,008,699        |                  |                 | 21,008,699        |
| <b>Total Assets</b>              | <b>25,557,522</b> | <b>2,325,183</b> | <b>(11,997)</b> | <b>27,870,708</b> |
| <b>Current Liabilities:</b>      | 4,767,401         |                  |                 | 4,767,401         |
| Contract liabilities             |                   | 37,012           |                 | 37,012            |
| Receipts in advance              | 76,126            | (76,126)         |                 |                   |
| Unearned revenue                 | 3,705             | (3,705)          |                 |                   |
| Withholdings                     | 517,991           | 42,819           |                 | 560,810           |
| Others                           | 4,169,579         |                  |                 | 4,169,579         |
| <b>Non-Current Liabilities:</b>  | 5,782,730         | 601,198          | (3,219)         | 6,380,709         |
| Long-term contract liabilities   |                   | 7,033            |                 | 7,033             |
| Long-term unearned revenue       | 7,033             | (7,033)          |                 |                   |
| Deferred tax liabilities         |                   | 601,198          | (3,219)         | 597,979           |
| Others                           | 5,775,697         |                  |                 | 5,775,697         |
| <b>Total Liabilities</b>         | <b>10,550,131</b> | <b>601,198</b>   | <b>(3,219)</b>  | <b>11,148,110</b> |
| Share capital                    | 44,639            |                  |                 | 44,639            |

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|  |            |           |          |            |
|--|------------|-----------|----------|------------|
| Capital surplus and others                       | 371,895    |           |          | 371,895    |
| Retained earnings                                | 14,512,556 | 1,723,985 | 49,611   | 16,286,152 |
| Reserves   | 78,301     |           | (58,389) | 19,912     |
| <b>Total Shareholders Equity</b>                 | 15,007,391 | 1,723,985 | (8,778)  | 16,722,598 |
| <b>Total Liabilities and Shareholders Equity</b> | 25,557,522 | 2,325,183 | (11,997) | 27,870,708 |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

## (2) Standards issued but not yet effective

The following new standard is effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted the following new standard in preparing the accompanying condensed separate interim financial statements as of and for the three-month period ended March 31, 2018.

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

The Company currently plans to apply K-IFRS No.1116 in the period beginning on January 1, 2019 and to assess the financial impact on its separate financial statements resulting from the adoption of K-IFRS No. 1116 by December 31, 2018. The assessment results will be disclosed in its annual financial statements for the year ending December 31, 2018. As of March 31, 2018, there have been no significant changes related to financial impact assessment of adopting K-IFRS No. 1116 which was disclosed in the Company's separate financial statements as of and for the year ended December 31, 2017,

**4. Trade and Other Receivables**

(1) Details of trade and other receivables as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>   |            | <b>March 31, 2018</b> |                       | <b>Carrying amount</b> |
|-------------------------------|------------|-----------------------|-----------------------|------------------------|
|                               |            | <b>Gross amount</b>   | <b>Loss allowance</b> |                        |
| <b>Current assets:</b>        |            |                       |                       |                        |
| Accounts receivable           | trade      | ₩ 1,646,691           | (128,042)             | 1,518,649              |
| Short-term loans              |            | 70,410                | (704)                 | 69,706                 |
| Accounts receivable           | - other(*) | 1,307,541             | (56,937)              | 1,250,604              |
| Accrued income                |            | 1,067                 |                       | 1,067                  |
|                               |            | 3,025,709             | (185,683)             | 2,840,026              |
| <b>Non-current assets:</b>    |            |                       |                       |                        |
| Long-term loans               |            | 48,477                | (41,109)              | 7,368                  |
| Long-term accounts receivable | - other(*) | 130,932               |                       | 130,932                |
| Guarantee deposits            |            | 172,063               |                       | 172,063                |
|                               |            | 351,472               | (41,109)              | 310,363                |

₩ 3,377,181 (226,792) 3,150,389

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (1) Details of trade and other receivables as of March 31, 2018 and December 31, 2017 are as follows, Continued:

| <i>(In millions of won)</i>                     | <b>December 31, 2017</b> |                       | <b>Carrying amount</b> |
|---|--------------------------|-----------------------|------------------------|
|   | <b>Gross amount</b>      | <b>Loss allowance</b> |                        |
| <b>Current assets:</b>                          |                          |                       |                        |
| Accounts receivable - trade                     | ₩ 1,628,036              | (107,827)             | 1,520,209              |
| Short-term loans                                | 54,953                   | (550)                 | 54,403                 |
| Accounts receivable - other(*)                  | 1,059,395                | (55,886)              | 1,003,509              |
| Accrued income                                  | 659                      |                       | 659                    |
|   | 2,743,043                | (164,263)             | 2,578,780              |
| <b>Non-current assets:</b>                      |                          |                       |                        |
| Long-term loans                                 | 48,623                   | (41,111)              | 7,512                  |
| Long-term accounts receivable - other(*)285,118 |                          |                       | 285,118                |
| Guarantee deposits                              | 173,513                  |                       | 173,513                |
|   | 507,254                  | (41,111)              | 466,143                |
|   | ₩ 3,250,297              | (205,374)             | 3,044,923              |

- (\*) Gross and carrying amounts of accounts receivable - other as of March 31, 2018 include ₩948,801 million of financial instruments classified at FVTPL.

- (2) Changes in the loss allowance on trade and other receivables measured at amortized costs during the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>January 1, 2018</b>      | <b>Impact of adopting K-IFRS No. 1109</b> | <b>Impairment</b> | <b>Write-offs(*)</b> | <b>Collection of receivables previously written-off</b> | <b>March 31, 2018</b> |
|-----------------------------|-----------------------------|---|-------------------|----------------------|---|-----------------------|
|                             | Accounts receivable - trade | ₩ 107,827                                 | 12,950            | 4,486                | (203)   | 2,982                 |

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|                             |                      |        |       |       |       |         |
|-----------------------------|----------------------|--------|-------|-------|-------|---------|
| Accounts receivable - other | 97,547               | 99     | 723   | (558) | 939   | 98,750  |
|                             | <del>₩</del> 205,374 | 13,049 | 5,209 | (761) | 3,921 | 226,792 |

| <i>(In millions of won)</i> | <b>January 1,<br/>2017</b> | <b>Impairment</b> | <b>Write-offs(*)</b> | <b>Collection of<br/>receivables<br/>previously<br/>written-off</b> | <b>March 31,<br/>2017</b> |
|-----------------------------|----------------------------|-------------------|----------------------|---|---------------------------|
| Accounts receivable - trade | <del>₩</del> 119,027       | 1,245             | (180)                | 3,686   | 123,778                   |
| Accounts receivable - other | 99,800                     | 2,697             | (5,449)              | 6,050   | 103,098                   |
|                             | <del>₩</del> 218,827       | 3,942             | (5,629)              | 9,736   | 226,876                   |

(\*) The Company writes off the trade and other receivables when contractual payments are more than 5 years past due, or for reasons such as the counterparty's shut-down or liquidation.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (3) The Company applies the simplified approach that allows the Company to estimate the loss allowance for accounts receivables - trade at an amount equal to the lifetime expected credit losses. Assessing expected credit losses under K-IFRS 1109 incorporate the analysis of forward-looking information. To make that assessment, the Company used its historical credit loss experience and classified the accounts receivable - trade by their credit risk characteristics and days overdue.

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

**5. Prepaid expenses**

As discussed in Note 3, the Company adopted K-IFRS No. 1115, *Revenue from Contracts with Customers*, for the year beginning on January 1, 2018.

- (1) Details of prepaid expenses as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>               | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| <b>Current assets:</b>                    |                       |                          |
| Incremental costs of obtaining a contract | ₩ 1,657,821           |                          |
| Others                                    | 121,467               | 121,121                  |
|   | 1,779,288             | 121,121                  |
| <b>Non-current assets:</b>                |                       |                          |
| Incremental costs of obtaining a contract | ₩ 671,574             |                          |
| Others                                    | 24,564                | 25,169                   |
|   | 696,138               | 25,169                   |

- (2) Incremental costs of obtaining a contract

Incremental costs of obtaining a contract that are capitalized as of March 31, 2018 and the related amortization recognized as commissions during the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won)</i>               | <b>March 31, 2018</b> |
|---|-----------------------|
| Incremental costs of obtaining a contract | <b>₩ 2,329,395</b>    |
| Commissions                               | 537,969               |

The Company pays commissions to its direct retail stores and authorized dealers for wireless telecommunications services for each service contract newly obtained or renewed. The Company capitalized certain costs associated with commissions paid to sales agents to obtain new customer contracts as prepaid expenses, which the Company previously expensed. These prepaid expenses are amortized over the period that the Company expects to maintain its customers.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**6. Investment Securities**

(1) Details of short-term investment securities as of March 31, 2018 and December 31, 2017 are as follows:

*(In millions of won)*

|                          | Category                            | March 31, 2018 | December 31, 2017 |
|--------------------------|-------------------------------------|----------------|-------------------|
| Beneficiary certificates | Available-for-sale financial assets | ₩              | 47,383            |
|                          | FVTPL                               |                | 47,707            |
|                          |                                     | ₩              | 47,707            |
|                          |                                     |                | 47,383            |

(2) Details of long-term investment securities as of March 31, 2018 and December 31, 2017 are as follows:

*(In millions of won)*

|                    | Category                            | March 31, 2018 | December 31, 2017 |
|--------------------|-------------------------------------|----------------|-------------------|
| Equity instruments | Available-for-sale financial assets | ₩              | 723,703           |
|                    | FVOCI(*)                            |                | 629,074           |
|                    |                                     | 629,074        | 723,703           |
| Debt instruments   | Available-for-sale financial assets |                | 900               |
|                    | FVTPL                               |                | 68,936            |
|                    |                                     | 68,936         | 900               |
|                    |                                     | ₩              | 698,010           |
|                    |                                     |                | 724,603           |

(\*) Upon adoption of K-IFRS 1109, the Company designated ₩629,074 million of equity instruments that are not held for trading as financial assets at FVOCI.

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

- (1) Investments in subsidiaries, associates and joint ventures as of March 31, 2018 and December 31, 2017 are as follows:

*(In millions of won)*

|  | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|--|-----------------------|--------------------------|
| Investments in subsidiaries                  | ₩ 4,434,829           | 4,391,693                |
| Investments in associates and joint ventures | 4,751,184             | 4,760,628                |
|  | ₩ 9,186,013           | 9,152,321                |

## SK TELECOM CO., LTD.

## Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**7. Investments in Subsidiaries, Associates and Joint ventures, Continued**

(2) Details of investments in subsidiaries as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2018      |                  |                    | December 31,               |
|--|---------------------|------------------|--------------------|----------------------------|
|  | Number of<br>shares | Ownership<br>(%) | Carrying<br>amount | 2017<br>Carrying<br>amount |
| SK Telink Co., Ltd.                                | 1,432,627           | 100.0            | ₩ 243,988          | 243,988                    |
| SK Broadband Co., Ltd.                             | 298,460,212         | 100.0            | 1,870,582          | 1,870,582                  |
| SK Communications Co., Ltd.                        | 43,427,530          | 100.0            | 69,668             | 69,668                     |
| PS&Marketing Corporation                           | 66,000,000          | 100.0            | 313,934            | 313,934                    |
| SERVICEACE Co., Ltd.                               | 4,385,400           | 100.0            | 21,927             | 21,927                     |
| SERVICE TOP Co., Ltd.                              | 2,856,200           | 100.0            | 14,281             | 14,281                     |
| Network O&S Co., Ltd.                              | 3,000,000           | 100.0            | 15,000             | 15,000                     |
| SK Planet Co., Ltd.                                | 57,338,266          | 98.1             | 1,298,237          | 1,298,237                  |
| IRIVER LIMITED(*1)                                 | 21,826,296          | 45.9             | 91,642             | 91,642                     |
| SK Telecom China Holdings Co., Ltd.                |                     | 100.0            | 48,096             | 38,652                     |
| SKT Vietnam PTE. Ltd.                              | 180,476,700         | 73.3             | 2,364              | 2,364                      |
| SKT Americas, Inc.                                 | 122                 | 100.0            | 45,701             | 45,701                     |
| YTK Investment Ltd.                                |                     | 100.0            | 3,388              | 3,388                      |
| Atlas Investment(*2)                               |                     | 100.0            | 89,824             | 84,495                     |
| SK Global Healthcare Business Group,<br>Ltd.       |                     | 100.0            | 39,649             | 39,649                     |
| SK techx Co., Ltd.                                 | 6,713,838           | 100.0            | 155,999            | 155,999                    |
| One Store Co., Ltd.                                | 10,409,600          | 65.5             | 82,186             | 82,186                     |
| FSK L&S Co., Ltd.(*3)                              | 2,415,750           | 60.0             | 18,047             |                            |
| SK Telecom Japan Inc.(*4)                          | 1,000,000           | 100.0            | 10,316             |                            |
|  |                     |                  | ₩4,434,829         | 4,391,693                  |

(\*1) Although the Company has less than 50% of the voting rights of IRIVER LIMITED, the Company is considered to have control over IRIVER LIMITED since the Company holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed.

(\*2) The Company contributed ₩5,329 million in cash during the three-month period ended March 31, 2018.

(\*3) The Company acquired the 2,415,750 common shares of FSK L&S Co., Ltd. in exchange for ₩18,047 million in cash from SK Holdings Co., Ltd., the ultimate controlling entity of the Company, during the three-month period ended March 31, 2018.

(\*4) SK Telecom Japan Inc. was newly established during the three-month period ended March 31, 2018.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

(3) Details of investments in associates and joint ventures as of March 31, 2018 and December, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2018   |               | Carrying amount | December 31,         |
|--|------------------|---------------|-----------------|----------------------|
|  | Number of shares | Ownership (%) |                 | 2017 Carrying amount |
| <b>Investments in associates:</b>                  |                  |               |                 |                      |
| SK China Company Ltd.                              | 10,928,921       | 27.3          | ₩ 601,192       | 601,192              |
| HappyNarae Co., Ltd.                               | 720,000          | 45.0          | 12,939          | 12,939               |
| Korea IT Fund(*1)                                  | 190              | 63.3          | 220,957         | 220,957              |
| Wave City Development Co., Ltd.(*2)                | 393,460          | 19.1          | 1,532           | 1,532                |
| KEB HanaCard Co., Ltd.(*2)                         | 39,902,323       | 15.0          | 253,739         | 253,739              |
| Daehan Kanggun BcN Co., Ltd.                       | 1,675,124        | 29.0          | 353             | 353                  |
| NanoEnTek, Inc.                                    | 6,960,445        | 27.1          | 47,958          | 47,958               |
| SK Technology Innovation Company                   | 14,700           | 49.0          | 45,864          | 45,864               |
| SK hynix Inc.                                      | 146,100,000      | 20.1          | 3,374,725       | 3,374,725            |
| SK MENA Investment B.V.                            | 9,772,686        | 32.1          | 14,485          | 14,485               |
| SK Latin America Investment S.A.                   | 9,448,937        | 32.1          | 14,243          | 14,243               |
| S.M.Culture & Contents Co., Ltd.                   | 22,033,898       | 23.4          | 65,341          | 65,341               |
| SK USA, Inc. and others                            |                  |               | 62,380          | 71,824               |
|  |                  |               | ₩ 4,715,708     | 4,725,152            |
| <b>Investment in joint venture:</b>                |                  |               |                 |                      |
| Finnq Co., Ltd.(*3)                                | 4,900,000        | 49.0          | ₩ 24,580        | 24,580               |
| 12CM GLOBAL PTE. LTD.(*3)                          | 1,007,143        | 62.7          | 10,896          | 10,896               |
|  |                  |               | 35,476          | 35,476               |
|  |                  |               | ₩ 4,751,184     | 4,760,628            |

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

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

equity interests.

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



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**7. Investments in Subsidiaries, Associates and Joint ventures, Continued**

- (4) The market price of investments in listed subsidiaries as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2018                  |                  |            | December 31, 2017               |                  |            |
|--|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|  | Market value per share (in won) | Number of shares | Fair value | Market value per share (in won) | Number of shares | Fair value |
| IRIVER LIMITED                                     | ₩ 7,830                         | 21,826,296       | 170,900    | 5,580                           | 21,826,296       | 121,790    |

- (5) The market price of investments in listed associates as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2018                  |                  |            | December 31, 2017               |                  |            |
|--|---------------------------------|------------------|------------|---------------------------------|------------------|------------|
|  | Market value per share (in won) | Number of shares | Fair value | Market value per share (in won) | Number of shares | Fair value |
| NanoEnTek, Inc.                                    | ₩ 5,620                         | 6,960,445        | 39,118     | 5,950                           | 6,960,445        | 41,415     |
| SK hynix Inc.                                      | 81,300                          | 146,100,000      | 11,877,930 | 76,500                          | 146,100,000      | 11,176,650 |
| S.M.Culture & Contents Co.,Ltd.                    | 3,380                           | 22,033,898       | 74,475     | 2,700                           | 22,033,898       | 59,492     |

**8. Property and Equipment**

Details of the changes in property and equipment for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | For the three-month period ended March 31, 2018 |             |          |          |              | Ending balance |
|-----------------------------|---|-------------|----------|----------|--------------|----------------|
|                             | Beginning balance                               | Acquisition | Disposal | Transfer | Depreciation |                |
| Land                        | ₩ 525,572                                       | 74          | (13)     | 1,823    |              | 527,456        |

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|                          |                   |               |              |                 |                  |                  |
|--------------------------|-------------------|---------------|--------------|-----------------|------------------|------------------|
| Buildings                | 546,872           | 73            | (4)          | 14,927          | (9,258)          | 552,610          |
| Structures               | 376,755           | 7             |              | 893             | (8,992)          | 368,663          |
| Machinery                | 4,648,331         | 1,666         | (302)        | 186,568         | (419,275)        | 4,416,988        |
| Other                    | 448,203           | 42,099        | (583)        | (91,576)        | (26,040)         | 372,103          |
| Construction in progress | 377,400           | 41,521        |              | (135,472)       |                  | 283,449          |
|                          | <b>₩6,923,133</b> | <b>85,440</b> | <b>(902)</b> | <b>(22,837)</b> | <b>(463,565)</b> | <b>6,521,269</b> |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**8. Property and Equipment, Continued**

Details of the changes in property and equipment for the three-month periods ended March 31, 2018 and 2017 are as follows, Continued:

| <i>(In millions of won)</i> | For the three-month period ended March 31, 2017 |             |          |           |              | Ending<br>balance |
|-----------------------------|---|-------------|----------|-----------|--------------|-------------------|
|                             | Beginning<br>balance                            | Acquisition | Disposal | Transfer  | Depreciation |                   |
| Land                        | ₩ 506,786                                       | 310         | (3,529)  | 908       |              | 504,475           |
| Buildings                   | 557,021   | 83          | (302)    | 3,411     | (9,095)      | 551,118           |
| Structures                  | 357,065   | 1           | (70)     | 80        | (8,676)      | 348,400           |
| Machinery                   | 4,781,985                                       | 3,231       | (181)    | 198,321   | (414,599)    | 4,568,757         |
| Other                       | 492,410   | 53,432      | (825)    | (70,098)  | (27,587)     | 447,332           |
| Construction in progress    | 603,272   | 53,578      |          | (195,695) |              | 461,155           |
|                             | ₩7,298,539                                      | 110,635     | (4,907)  | (63,073)  | (459,957)    | 6,881,237         |

**9. Intangible Assets**

- (1) Details of the changes in intangible assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

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

For the three-month period ended March 31, 2017

| <i>(In millions of won)</i> | <b>Beginning<br/>balance</b> | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> | <b>Ending<br/>balance</b> |
|-----------------------------|------------------------------|--------------------|-----------------|-----------------|---------------------|---------------------------|
| Frequency usage rights      | ₩ 2,580,828                  |                    |                 |                 | (100,972)           | 2,479,856                 |
| Land usage rights           | 8,359                        | 605                | (46)            | 200             | (921)               | 8,197                     |
| Industrial rights           | 13,692                       | 1,194              |                 |                 | (926)               | 13,960                    |
| Facility usage rights       | 16,259                       | 234                |                 | 9               | (673)               | 15,829                    |
| Club memberships            | 43,984                       | 950                |                 |                 |                     | 44,934                    |
| Other                       | 612,541                      | 1,767              | (562)           | 70,550          | (50,404)            | 633,892                   |
|                             | ₩ 3,275,663                  | 4,750              | (608)           | 70,759          | (153,896)           | 3,196,668                 |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**9. Intangible Assets, Continued**

(2) Details of frequency usage rights as of March 31, 2018 are as follows:

| <i>(In millions of won)</i> | <b>Amount</b> | <b>Description</b>  | <b>Commencement<br/>of<br/>amortization</b> | <b>Completion of<br/>amortization</b> |
|-----------------------------|---------------|---|---|---------------------------------------|
| 800MHz license              | ₩ 131,768     | Frequency usage rights relating to CDMA and LTE service   | Jul. 2011                                   | Jun. 2021                             |
| 1.8GHz license              | 471,075       | Frequency usage rights relating to LTE service            | Sept. 2013                                  | Dec. 2021                             |
| WiBro license               | 2,370         | WiBro service   | Mar. 2012                                   | Mar. 2019                             |
| 2.6GHz license              | 1,062,415     | Frequency usage rights relating to LTE service            | Sept. 2016                                  | Dec. 2026                             |
| 2.1GHz license              | 408,340       | Frequency usage rights relating to W-CDMA and LTE service | Dec. 2016                                   | Dec. 2021                             |
|                             | ₩ 2,075,968   |   |   |                                       |

**10. Borrowings and Debentures**

(1) There are no changes in long-term borrowings for the three-month period ended March 31, 2018. Changes in debentures for the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won, thousands of other currencies)</i> | <b>Purpose</b> | <b>Annual interest rate (%)</b> | <b>Maturity</b> | <b>Face value</b> | <b>Book value</b> |
|--|----------------|---------------------------------|-----------------|-------------------|-------------------|
| Current  |                |                                 |                 | ₩ 1,119,980       | 1,119,016         |
| Non-current  |                |                                 |                 | 4,350,258         | 4,334,848         |
| As of January 1, 2018                                      |                |                                 |                 | 5,470,238         | 5,453,864         |
| Debentures newly issued:                                   |                |                                 |                 |                   |                   |
| Unsecured corporate bonds                                  | Refinancing    | 2.57                            | Feb. 20, 2021   | 110,000           | 109,507           |
|  |                | 2.81                            | Feb. 20, 2023   | 100,000           | 99,576            |

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|                           |       |      |               |             |           |
|---------------------------|-------|------|---------------|-------------|-----------|
|                           |       | 3.00 | Feb. 20, 2028 | 200,000     | 199,228   |
|                           |       | 3.02 | Feb. 20, 2038 | 90,000      | 89,664    |
|                           |       |      |               | 500,000     | 497,975   |
| Debentures repaid:        |       |      |               |             |           |
| Unsecured corporate bonds | Other | 5.00 | Mar. 3, 2018  | (200,000)   | (200,000) |
| Other changes(*):         |       |      |               | (6,572)     | (5,175)   |
| Current                   |       |      |               | 986,550     | 986,204   |
| Non-current               |       |      |               | 4,777,116   | 4,760,460 |
| As of March 31, 2018      |       |      |               | ₩ 5,763,666 | 5,746,664 |

(\* ) Other changes include the effects from translation of foreign currency-denominated debentures and changes in present value discount during the three-month period ended March 31, 2018.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Long-term Payables - other**

- (1) As of March 31, 2018 and December 31, 2017, details of long-term payables - other which consist of payables related to the acquisition of frequency usage rights are as follows (See Note 9):

| <i>(In millions of won)</i>                          | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|---------------------------|------------------------------|
| Long-term payables - other                           | ₩ 1,407,388               | 1,710,255                    |
| Present value discount on long-term payables - other | (73,150)                  | (79,874)                     |
| Current installments of long-term payables - other   | (297,838)                 | (301,751)                    |
| Carrying amount at period end                        | ₩ 1,036,400               | 1,328,630                    |

- (2) The Company repaid ₩302,867 million of the principal amount of long-term payables - other during the three-month period ended March 31, 2018. The repayment schedule of the principal amount of long-term payables - other as of March 31, 2018 is as follows:

| <i>(In millions of won)</i> | <b>Amount</b> |
|-----------------------------|---------------|
| Less than 1 year            | ₩ 302,867     |
| 1~3 years                   | 605,734       |
| 3~5 years                   | 199,515       |
| More than 5 years           | 299,272       |
|                             | ₩ 1,407,388   |

**12. Provisions**

Changes in provisions for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended March 31,<br/>2018</b> |                 |                                 | <b>As of March 31,<br/>2018</b> |
|-----------------------------|--|-----------------|---------------------------------|---------------------------------|
|                             | <b>Beginning<br/>balance</b>                               | <b>Increase</b> | <b>Utilization<br/>Reversal</b> | <b>Ending<br/>balance</b>       |
|                             |  |                 |                                 | <b>Non-<br/>Current</b>         |
|                             |  |                 |                                 | <b>current</b>                  |

|  |          |       |       |       |        |        |        |
|--|----------|-------|-------|-------|--------|--------|--------|
| Provision for installment of handset subsidy | ₩ 3,874  |       | (263) |       | 3,611  | 3,611  |        |
| Provision for restoration                    | 56,162   | 920   | (196) | (104) | 56,782 | 40,697 | 16,085 |
| Emission allowance                           | 4,650    | 759   |       |       | 5,409  | 5,409  |        |
|  | ₩ 64,686 | 1,679 | (459) | (104) | 65,802 | 49,717 | 16,085 |

| <i>(In millions of won)</i>                  | <b>For the three-month period ended March 31, 2017</b> |                 |                    |                 |                       | <b>As of March 31, 2017</b> |                    |
|--|--|-----------------|--------------------|-----------------|-----------------------|-----------------------------|--------------------|
|  | <b>Beginning balance</b>                               | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Ending balance</b> | <b>Current</b>              | <b>Non-current</b> |
| Provision for installment of handset subsidy | ₩ 24,710   |                 | (2,703)            |                 | 22,007                | 20,445                      | 1,562              |
| Provision for restoration                    | 53,022   | 660             | (226)              | (258)           | 53,198                | 36,782                      | 16,416             |
| Emission allowance                           | 2,788  | 1,230           |                    |                 | 4,018                 | 4,018                       |                    |
|  | ₩ 80,520   | 1,890           | (2,929)            | (258)           | 79,223                | 61,245                      | 17,978             |

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



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

(1) Details of defined benefit liabilities (assets) as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                  | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|--|-----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 298,547             | 278,778                  |
| Fair value of plan assets                    | (320,980)             | (318,860)                |
| Defined benefit assets                       | ₩ (22,433)            | (40,082)                 |

(2) Changes in defined benefit obligations for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>      | <b>For the three-month period ended</b> |                       |
|----------------------------------|---|-----------------------|
|                                  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Beginning balance                | ₩ 278,778                               | 240,289               |
| Current service cost             | 9,927                                   | 9,511                 |
| Interest cost                    | 2,086                                   | 1,551                 |
| Remeasurement:                   |   |                       |
| - Adjustment based on experience | 9,053                                   | 8,749                 |
| Benefit paid                     | (4,457)                                 | (3,984)               |
| Others                           | 3,160                                   | 5,889                 |
| Ending balance                   | ₩ 298,547                               | 262,005               |

(3) Changes in plan assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Beginning balance           | ₩ 318,860                               | 265,076               |
| Interest income             | 2,371                                   | 1,616                 |
| Remeasurement               | (717)                                   | (192)                 |
| Contribution                | 9,000                                   | 20,000                |

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|                |           |          |
|----------------|-----------|----------|
| Benefit paid   | (14,731)  | (22,521) |
| Others         | 6,197     | 4,078    |
| Ending balance | ₩ 320,980 | 268,057  |

- (4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Current service cost        | ₩ 9,927                                 | 9,511                 |
| Net interest income         | (285)                                   | (65)                  |
|                             | ₩ 9,642                                 | 9,446                 |

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**14. Contract liabilities**

As discussed in Note 3, the Company adopted K-IFRS No. 1115, *Revenue from Contracts with Customers* for the year beginning on January 1, 2018.

Details of contract liabilities as of March 31, 2018 and January 1, 2018 are as follows:

| <i>(In millions of won)</i>                       | <b>March 31, 2018</b> | <b>January 1, 2018</b> |
|---|-----------------------|------------------------|
| Contract liabilities - wireless service contracts | ₩ 16,579              | 16,577                 |
| Contract liabilities - customer loyalty programs  | 10,555                | 10,739                 |
| Contract liabilities - others                     | 28,905                | 16,729                 |
|   | ₩ 56,039              | 44,045                 |

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

The Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|--|-----------------------|--------------------------|
| Number of authorized shares                        | 220,000,000           | 220,000,000              |
| Number of issued shares                            | 80,745,711            | 80,745,711               |
| Share capital:                                     |                       |                          |
| Common stock                                       | ₩ 44,639              | 44,639                   |
| Capital surplus and others:                        |                       |                          |
| Paid-in surplus                                    | 2,915,887             | 2,915,887                |
| Treasury shares                                    | (2,260,626)           | (2,260,626)              |
| Hybrid bonds                                       | 398,518               | 398,518                  |
| Share option (Note 16)                             | 553                   | 414                      |
| Others   | (682,298)             | (682,298)                |
|  | ₩ 372,034             | 371,895                  |



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

There were no changes in share capital for the three-month periods ended March 31, 2018 and 2017 and details of shares outstanding as of March 31, 2018 and 2017 are as follows:

| <i>(In shares)</i> | March 31, 2018 |                   |             | March 31, 2017 |                   |             |
|--------------------|----------------|-------------------|-------------|----------------|-------------------|-------------|
|                    | Issued         | Treasury<br>stock | Outstanding | Issued         | Treasury<br>stock | Outstanding |
| Number of shares   | 80,745,711     | 10,136,551        | 70,609,160  | 80,745,711     | 10,136,551        | 70,609,160  |

**16. Share option**

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

|                              | Series                                    |   |   |   |  |
|------------------------------|---|---|---|---|--|
|                              | 1-1                                       | 1-2                                       | 1-3                                       | 2-0                                       |  |
| Grant date                   |   | March 24, 2017                            |   | February 20, 2018                         |  |
| Types of shares to be issued |   | Registered common shares                  |   |   |  |
| Grant method                 |   | Reissue of treasury shares                |   |   |  |
| Number of shares (in shares) | 22,168                                    | 22,168                                    | 22,168                                    | 5,707                                     |  |
| Exercise price (in won)      | 246,750                                   | 266,490                                   | 287,810                                   | 254,120                                   |  |
| Exercise period              | Mar. 25, 2019 ~<br>Mar. 24, 2022          | Mar. 25, 2020 ~<br>Mar. 24, 2023          | Mar. 25, 2021 ~<br>Mar. 24, 2024          | Feb. 21, 2020 ~<br>Feb. 20, 2023          |  |
| Vesting conditions           | 2 years service<br>from the grant<br>date | 3 years service<br>from the grant<br>date | 4 years service<br>from the grant<br>date | 2 years service<br>from the grant<br>date |  |

- (2) The recognized share compensation expense and the remaining share compensation expense to be recognized in subsequent periods are as follows:

| <i>(In millions of won)</i>                        | Share<br>compensation expense |     |
|--|-------------------------------|-----|
| During the year ended December 31, 2017            | ₩                             | 414 |
| During the three-month period ended March 31, 2018 |                               | 139 |

|                       |         |
|-----------------------|---------|
| In subsequent periods | 975     |
|                       | ₩ 1,528 |

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

|   | <b>1-1</b> | <b>1-2</b> | <b>1-3</b> | <b>2-0</b> |
|---|------------|------------|------------|------------|
| Risk-free interest rate                                 | 1.86%      | 1.95%      | 2.07%      | 2.63%      |
| Estimated option's life                                 | 5 years    | 6 years    | 7 years    | 5 years    |
| Share price (Closing price on the preceding day in won) | 262,500    | 262,500    | 262,500    | 243,500    |
| Expected volatility                                     | 13.38%     | 13.38%     | 13.38%     | 16.45%     |
| Expected dividends                                      | 3.80%      | 3.80%      | 3.80%      | 3.70%      |
| Exercise price (in won)                                 | 246,750    | 266,490    | 287,810    | 254,120    |
| Per share fair value of the option (in won)             | 27,015     | 20,240     | 15,480     | 23,988     |

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**17. Retained Earnings**

Retained earnings as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>        | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Appropriated:                      |                           |                          |
| Legal reserve                      | ₩ 22,320                  | 22,320                   |
| Reserve for business expansion     | 10,531,138                | 10,171,138               |
| Reserve for technology development | 3,321,300                 | 3,071,300                |
|                                    | 13,874,758                | 13,264,758               |
| Unappropriated                     | 2,133,271                 | 1,247,798                |
|                                    | ₩ 16,008,029              | 14,512,556               |

**18. Reserves**

(1) Details of reserves, net of taxes, as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                           | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| Valuation gain on financial assets at FVOCI           | ₩ 70,345              |                          |
| Valuation gain on available-for-sale financial assets |                       | 148,873                  |
| Valuation loss on derivatives                         | (79,597)              | (70,572)                 |
|   | ₩ (9,252)             | 78,301                   |

(2) Changes in reserves for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>Valuation gain (loss)<br/>on financial<br/>assets</b> | <b>Valuation gain (loss)<br/>on<br/>available-for-sale</b> | <b>Valuation loss on<br/>derivatives</b> | <b>Total</b> |
|-----------------------------|--|--|--|--------------|
|-----------------------------|--|--|--|--------------|

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|                                      | <b>at FVOCI</b> | <b>financial<br/>assets</b> |          |          |
|--------------------------------------|-----------------|-----------------------------|----------|----------|
| Balance at January 1, 2017           | ₩               | 28,963                      | (90,756) | (61,793) |
| Changes, net of taxes                |                 | 43,337                      | (7,729)  | 35,608   |
| Balance at March 31, 2017            |                 | 72,300                      | (98,485) | (26,185) |
| Balance at December 31, 2017         |                 | 148,873                     | (70,572) | 78,301   |
| Impact of adopting K-IFRS<br>No.1109 | 90,484          | (148,873)                   |          | (58,389) |
| Balance at January 1, 2018           | 90,484          |                             | (70,572) | 19,912   |
| Changes, net of taxes                | (20,139)        |                             | (9,025)  | (29,164) |
| Balance at March 31, 2018            | ₩               | 70,345                      | (79,597) | (9,252)  |



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**19. Operating Revenue**

Disaggregated operating revenues according to timing and uncertainty of the Company's revenue and future cash flows are as follows:

*(In millions of won)*

|  | <b>March 31, 2018</b> | <b>March 31, 2017</b> |
|--|-----------------------|-----------------------|
| Products transferred at a point in time: |                       |                       |
| Product revenue                          | ₩ 33,273              | 46,593                |
| Services transferred over time:          |                       |                       |
| Wireless service revenue(*1)             | 2,568,880             | 2,662,271             |
| Cellular interconnection revenue         | 150,872               | 172,669               |
| Other revenue(*2)                        | 235,513               | 206,423               |
|  | <b>2,955,265</b>      | <b>3,041,363</b>      |
|  | <b>₩ 2,988,538</b>    | <b>3,087,956</b>      |

(\*1) Considerations received from subscribers in connection with wireless voice and data transmission services is included.

(\*2) Revenue from IoT solutions as well as other miscellaneous cellular services is included.

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

**20. Other Operating Expenses**

Details of other operating expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

*(In millions of won)*

|  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Communication                            | ₩ 7,033                                 | 6,367                 |
| Utilities                                | 57,816                                  | 56,595                |
| Taxes and dues                           | 4,104                                   | 4,472                 |
| Repair                                   | 53,376                                  | 50,557                |
| Research and development                 | 71,211                                  | 71,249                |
| Training                                 | 6,895                                   | 4,883                 |
| Bad debt for accounts receivable - trade | 4,486                                   | 1,245                 |

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|       |                      |         |
|-------|----------------------|---------|
| Other | 11,958               | 11,294  |
|       | <del>₩</del> 216,879 | 206,662 |

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For the three-month periods ended March 31, 2018 and 2017

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

Details of other non-operating income and expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                                      | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Other Non-operating Income:</b>                               |   |                       |
| Gain on disposal of property and equipment and intangible assets | ₩ 114                                   | 4,012                 |
| Others   | 12,011                                  | 3,164                 |
|  | ₩ 12,125                                | 7,176                 |
| <b>Other Non-operating Expenses:</b>                             |   |                       |
| Loss on disposal of property and equipment and intangible assets | ₩ 390                                   | 1,760                 |
| Donations  | 15,939                                  | 12,126                |
| Bad debt for accounts receivable - other                         | 723                                     | 2,697                 |
| Others   | 1,126                                   | 1,545                 |
|  | ₩ 18,178                                | 18,128                |

**22. Finance Income and Costs**

- (1) Details of finance income and costs for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                 | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Finance Income:</b>                      |   |                       |
| Interest income                             | ₩ 11,594                                | 20,308                |
| Gain on sale of accounts receivable - other | 3,749                                   | 5,025                 |
| Dividends                                   | 161,242                                 | 97,811                |
| Gain on foreign currency transactions       | 3,376                                   | 1,203                 |
| Gain on foreign currency translations       | 16                                      | 30                    |
|   |   | 2,267                 |

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|   |           |         |
|---|-----------|---------|
| Gain on disposal of long-term investment securities |           |         |
| Gain on financial assets at FVTPL                   | 992       | 1,069   |
| Gain on valuation of derivatives                    | 319       | 355     |
|   | ₩ 181,288 | 128,068 |

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

- (1) Details of finance income and costs for the three-month periods ended March 31, 2018 and 2017 are as follows, Continued:

| <i>(In millions of won)</i>                         | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Finance Costs:</b>                               |   |                       |
| Interest expenses                                   | ₩ 60,933                                | 61,651                |
| Loss on foreign currency transactions               | 5,531                                   | 3,081                 |
| Loss on foreign currency translations               | 64                                      | 1,767                 |
| Loss on disposal of long-term investment securities |   | 49                    |
| Loss on financial assets at FVTPL                   | 200                                     |                       |
| Loss on financial liabilities at FVTPL              | 288                                     | 331                   |
|   | ₩ 67,016                                | 66,879                |

- (2) Details of interest income included in finance income for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Interest income on cash equivalents and short-term financial instruments | ₩ 3,394                                 | 3,008                 |
| Interest income on installment receivables and others                    | 8,200                                   | 17,300                |
|  | ₩ 11,594                                | 20,308                |

- (3) Details of interest expenses included in finance costs for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |  |
|-----------------------------|---|--|
|-----------------------------|---|--|

|                                | <b>March 31, 2018</b> | <b>March 31, 2017</b> |
|--------------------------------|-----------------------|-----------------------|
| Interest expense on borrowings | ₩ 1,720               | 1,404                 |
| Interest expense on debentures | 45,828                | 44,379                |
| Others                         | 13,385                | 15,868                |
|                                | ₩ 60,933              | 61,651                |

- (4) Details of impairment losses on financial assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Accounts receivable trade   | ₩ 4,486                                 | 1,245                 |
| Other receivables           | 723                                     | 2,697                 |
|                             | ₩ 5,209                                 | 3,942                 |

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### 23. Income Tax Expense

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

### 24. Earnings per Share

#### (1) Basic earnings per share

- 1) Basic earnings per share for the three-month periods ended March 31, 2018 and 2017 are calculated as follows:

| <i>(In millions of won, except for share data)</i>   | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Profit for the period                                | ₩ 364,427                               | 388,206               |
| Weighted average number of common shares outstanding | 70,609,160                              | 70,609,160            |
| Basic earnings per share (in won)                    | ₩ 5,161                                 | 5,498                 |

- 2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2018 and 2017 are calculated as follows:

| <i>(In shares)</i>   | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Issued common shares at January 1                                | 80,745,711                              | 80,745,711            |
| Effect of treasury shares  | (10,136,551)                            | (10,136,551)          |
| Weighted average number of common shares outstanding at March 31 | 70,609,160                              | 70,609,160            |

#### (2) Diluted earnings per share

For the three-month periods ended March 31, 2018 and 2017, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.





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**25. Categories of Financial Instruments**

(1) Financial assets by category as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>        | <b>March 31, 2018</b>            |                                    |   |                                       | <b>Total</b> |
|------------------------------------|----------------------------------|------------------------------------|---|---------------------------------------|--------------|
|                                    | <b>Financial assets at FVTPL</b> | <b>Equity instruments at FVOCI</b> | <b>Financial assets at amortized cost</b> | <b>Derivatives hedging instrument</b> |              |
| Cash and cash equivalents          | ₩                                |                                    | 1,296,107                                 |                                       | 1,296,107    |
| Financial instruments              |                                  |                                    | 84,882                                    |                                       | 84,882       |
| Short-term investment securities   | 47,407                           |                                    |   |                                       | 47,407       |
| Long-term investment securities(*) | 68,936                           | 629,074                            |   |                                       | 698,010      |
| Accounts receivable - trade        |                                  |                                    | 1,518,649                                 |                                       | 1,518,649    |
| Loans and other receivables        | 948,801                          |                                    | 682,939                                   |                                       | 1,631,740    |
| Derivative financial assets        | 9,373                            |                                    |   | 2,769                                 | 12,142       |
|                                    | ₩ 1,074,517                      | 629,074                            | 3,582,577                                 | 2,769                                 | 5,288,937    |

(\*) The Company designated ₩629,074 million of equity instrument that is not held for trading as financial assets measured at FVOCI.

| <i>(In millions of won)</i>      | <b>December 31, 2017</b>                                     |  |                              |                                       | <b>Total</b> |
|----------------------------------|--|--|------------------------------|---------------------------------------|--------------|
|                                  | <b>Financial assets at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Loans and receivables</b> | <b>Derivatives hedging instrument</b> |              |
| Cash and cash equivalents        | ₩  |  | 880,583                      |                                       | 880,583      |
| Financial instruments            |  |  | 94,382                       |                                       | 94,382       |
| Short-term investment securities |  | 47,383                                     |                              |                                       | 47,383       |
| Long-term investment securities  |  | 724,603                                    |                              |                                       | 724,603      |
| Accounts receivable - trade      |  |  | 1,520,209                    |                                       | 1,520,209    |
| Loans and other receivables      |  |  | 1,524,714                    |                                       | 1,524,714    |

|                             |                    |         |           |        |           |
|-----------------------------|--------------------|---------|-----------|--------|-----------|
| Derivative financial assets | 9,054              |         |           | 21,554 | 30,608    |
|                             | <del>₩</del> 9,054 | 771,986 | 4,019,888 | 21,554 | 4,822,482 |

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

(2) Financial liabilities by category as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>         | March 31, 2018                 |   |                                | Total      |
|-------------------------------------|--------------------------------|---|--------------------------------|------------|
|                                     | Financial liabilities at FVTPL | Financial liabilities at amortized cost | Derivatives hedging instrument |            |
| Derivative financial liabilities    | ₩                              |   | 41,878                         | 41,878     |
| Borrowings                          |                                | 54,366                                  |                                | 54,366     |
| Debentures(*)                       | 60,566                         | 5,686,098                               |                                | 5,746,664  |
| Accounts payable - other and others |                                | 4,163,660                               |                                | 4,163,660  |
|                                     | ₩ 60,566                       | 9,904,124                               | 41,878                         | 10,006,568 |

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

| <i>(In millions of won)</i>         | December 31, 2017   |  |                                | Total     |
|-------------------------------------|---|--|--------------------------------|-----------|
|                                     | Financial liabilities measured at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivatives hedging instrument |           |
| Derivative financial liabilities    | ₩   |  | 38,510                         | 38,510    |
| Borrowings                          |   | 54,517   |                                | 54,517    |
| Debentures(*)                       | 60,278  | 5,393,586  |                                | 5,453,864 |
| Accounts payable - other and others |   | 4,116,758  |                                | 4,116,758 |
|                                     | ₩ 60,278  | 9,564,861  | 38,510                         | 9,663,649 |

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

## 26. Financial risk management

### (1) Financial risk management

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

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

#### 1) Market risk

##### (i) Currency risk

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

Monetary assets and liabilities denominated in foreign currencies as of March 31, 2018 are as follows:

|  | Assets             |                 | Liabilities        |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | Foreign currencies | Won translation | Foreign currencies | Won translation |
| <i>(In millions of won, thousands of foreign currencies)</i> |                    |                 |                    |                 |
| USD  | 69,428             | ₩ 74,045        | 1,446,155          | ₩ 1,542,324     |
| EUR  | 11,601             | 15,220          |                    |                 |
| JPY  | 15,284             | 153             |                    |                 |
| Others   |                    | 598             |                    | 35              |
|  |                    | ₩ 90,016        |                    | ₩ 1,542,359     |

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

As of March 31, 2018, a hypothetical change in exchange rates by 10% would have increased (reduced) the Company's income before income taxes as follows:

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| <i>(In millions of won)</i> |   | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|-----------------------------|---|----------------------------|----------------------------|
| USD                         | ₩ | 7,359                      | (7,359)                    |
| EUR                         |   | 1,522                      | (1,522)                    |
| JPY                         |   | 15                         | (15)                       |
| Others                      |   | 56                         | (56)                       |
|                             | ₩ | 8,952                      | (8,952)                    |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 1) Market risk, Continued

## (ii) Interest rate risk

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

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

As of March 31, 2018, the floating-rate debentures amount to ₩319,950 million and the Company has entered into interest rate swaps to hedge interest rate risk related to the floating-rate debentures. As a result, income before income taxes for the three-month period ended March 31, 2018 would not have been affected by the changes in interest rates of floating-rate borrowings and debentures.

## 2) Credit risk

The maximum credit exposure as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|-----------------------|--------------------------|
| Cash and cash equivalents   | ₩ 1,296,063           | 880,541                  |
| Financial instruments       | 84,882                | 94,382                   |
| Investment securities       | 900                   | 900                      |
| Accounts receivable - trade | 1,518,649             | 1,520,209                |
| Loans and other receivables | 1,631,740             | 1,524,714                |
| Derivative financial assets | 12,142                | 30,608                   |
|                             | <b>₩ 4,544,376</b>    | <b>4,051,354</b>         |

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations.

To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors. Based on such information, the Company establishes credit limits for each customer or counterparty.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been expected to occur. The collective loss allowance is determined based on historical data of collection statistics for similar financial assets. Also, the Company's credit risk can arise from transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of March 31, 2018.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

(1) Financial risk management, Continued

## 3) Liquidity risk

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

Contractual maturities of financial liabilities as of March 31, 2018 are as follows:

| <i>(In millions of won)</i>         | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> |
|-------------------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Borrowings(*)                       | ₩ 54,366               | 58,074                        | 13,293                  | 44,781             |                          |
| Debentures(*)                       | 5,746,664              | 6,881,307                     | 1,146,391               | 2,530,803          | 3,204,113                |
| Accounts payable - other and others | 4,163,660              | 4,302,387                     | 3,121,486               | 874,940            | 305,961                  |
|                                     | ₩9,964,690             | 11,241,768                    | 4,281,170               | 3,450,524          | 3,510,074                |

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

(\*) Includes interest payables.

As of March 31, 2018, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

| <i>(In millions of won)</i> | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> |
|-----------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Assets                      | ₩ 2,769                | (4,825)                       | 7,179                   | 25,617             | (37,621)                 |
| Liabilities                 | (41,878)               | (42,562)                      | (27,512)                | (15,050)           |                          |
|                             | ₩(39,109)              | (47,387)                      | (20,333)                | 10,567             | (37,621)                 |

(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall capital management strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2017.

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

## (2) Capital management, Continued

Debt-equity ratio as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|-----------------------------|---------------------------|--------------------------|
| Total liabilities           | ₩ 11,371,884              | 10,550,131               |
| Total equity                | 16,415,450                | 15,007,391               |
| Debt-equity ratios          | 69.28%                    | 70.30%                   |

## (3) Fair value

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

| <i>(In millions of won)</i>                                   | <b>Carrying<br/>amount</b> | <b>March 31, 2018</b> |                |                | <b>Total</b> |
|---|----------------------------|-----------------------|----------------|----------------|--------------|
|   |                            | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b> |              |
| <b>Financial assets that are measured at fair value:</b>      |                            |                       |                |                |              |
| FVTPL   | ₩ 1,074,517                |                       | 1,005,581      | 68,936         | 1,074,517    |
| Derivative financial assets                                   | 2,769                      |                       | 2,769          |                | 2,769        |
| FVOCI   | 629,074                    | 561,270               |                | 67,804         | 629,074      |
|   | ₩ 1,706,360                | 561,270               | 1,008,350      | 136,740        | 1,706,360    |
| <b>Financial liabilities that are measured at fair value:</b> |                            |                       |                |                |              |
| FVTPL   | ₩ 60,566                   |                       | 60,566         |                | 60,566       |
| Derivative financial liabilities                              | 41,878                     |                       | 41,878         |                | 41,878       |
|   | ₩ 102,444                  |                       | 102,444        |                | 102,444      |

**Financial liabilities that are not measured at fair value:**

|                            |            |           |           |
|----------------------------|------------|-----------|-----------|
| Borrowings                 | ₩ 54,366   | 55,141    | 55,141    |
| Debentures                 | 5,686,098  | 5,919,232 | 5,919,232 |
| Long-term payables - other | 1,334,238  | 1,410,956 | 1,410,956 |
|                            | ₩7,074,702 | 7,385,329 | 7,385,329 |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

(3) Fair value, Continued

2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2017 are as follows:

| <i>(In millions of won)</i>                                       | Carrying<br>amount | December 31, 2017 |           |         | Total     |
|---|--------------------|-------------------|-----------|---------|-----------|
|   |                    | Level 1           | Level 2   | Level 3 |           |
| <b>Financial assets that are measured at fair value:</b>          |                    |                   |           |         |           |
| Financial assets at fair value through profit or loss             | ₩ 9,054            |                   | 9,054     |         | 9,054     |
| Derivative financial assets                                       | 21,554             |                   | 21,554    |         | 21,554    |
| Available-for-sale financial assets                               | 636,642            | 586,713           | 47,383    | 2,546   | 636,642   |
|   | ₩ 667,250          | 586,713           | 77,991    | 2,546   | 667,250   |
| <b>Financial liabilities that are measured at fair value:</b>     |                    |                   |           |         |           |
| Financial liabilities at fair value through profit or loss        | ₩ 60,278           |                   | 60,278    |         | 60,278    |
| Derivative financial liabilities                                  | 38,510             |                   | 38,510    |         | 38,510    |
|   | ₩ 98,788           |                   | 98,788    |         | 98,788    |
| <b>Financial liabilities that are not measured at fair value:</b> |                    |                   |           |         |           |
| Borrowings  | ₩ 54,517           |                   | 55,131    |         | 55,131    |
| Debentures  | 5,393,586          |                   | 5,647,638 |         | 5,647,638 |
| Long-term payables - other  | 1,630,381          |                   | 1,749,132 |         | 1,749,132 |
|   | ₩ 7,078,484        |                   | 7,451,901 |         | 7,451,901 |

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

Available-for-sale financial assets amounting to ₩135,344 million as of December 31, 2017 are measured at cost in accordance with K-IFRS 1039 since they are equity instruments which do not have quoted price in an active market for the identical instruments and for which fair value cannot be reliably measured using other valuation methods.

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

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

## (3) Fair value, Continued

Interest rates used by the Company for the fair value measurement as of March 31, 2018 are as follows:

|                            | <b>Interest rate</b> |
|----------------------------|----------------------|
| Derivative instruments     | 1.51% ~ 2.36%        |
| Borrowings and debentures  | 2.59% ~ 2.63%        |
| Long-term payables - other | 2.34% ~ 2.69%        |

- 3) There have been no transfers between Level 2 and Level 1 for the three-month period ended March 31, 2018 and changes of financial assets classified as Level 3 for the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won)</i>         | <b>Balance at</b>      | <b>Impact of</b> | <b>K-IFRS No.</b> | <b>Loss for the</b> | <b>Acquisition</b> | <b>Disposal</b> | <b>Balance at</b>     |
|-------------------------------------|------------------------|------------------|-------------------|---------------------|--------------------|-----------------|-----------------------|
|                                     | <b>January 1, 2018</b> | <b>adopting</b>  | <b>1109</b>       | <b>year</b>         |                    |                 | <b>March 31, 2018</b> |
| Available-for-sale financial assets | ₩ 2,546                |                  | (2,546)           |                     |                    |                 |                       |
| FVTPL                               |                        |                  | 71,139            | (125)               | 90                 | (2,168)         | 68,936                |
| FVOCI                               |                        |                  | 67,804            |                     |                    |                 | 67,804                |
|                                     | ₩ 2,546                |                  | 136,397           | (125)               | 90                 | (2,168)         | 136,740               |

## (4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31, 2018</b>  |                         |                         |                           |                   |
|-----------------------------|------------------------|-------------------------|-------------------------|---------------------------|-------------------|
|                             | <b>Gross financial</b> | <b>Amount offset</b>    | <b>Net financial</b>    | <b>Relevant financial</b> | <b>Net amount</b> |
|                             | <b>instruments</b>     | <b>instruments</b>      | <b>instruments</b>      | <b>instruments</b>        | <b>Net amount</b> |
|                             | <b>recognized</b>      | <b>presented on the</b> | <b>presented on the</b> | <b>not</b>                | <b>Net amount</b> |
|                             |                        | <b>statement</b>        | <b>statement</b>        | <b>offset</b>             |                   |

**of  
financial position**

| <b>Financial assets:</b>             |   |         |          |        |                 |
|--------------------------------------|---|---------|----------|--------|-----------------|
| Derivatives(*)                       | ₩ | 11,588  |          | 11,588 | (11,588)        |
| Accounts receivable trade and others |   | 86,404  | (86,128) | 276    | 276             |
|                                      | ₩ | 97,992  | (86,128) | 11,864 | (11,588) 276    |
| <b>Financial liabilities:</b>        |   |         |          |        |                 |
| Derivatives(*)                       | ₩ | 22,494  |          | 22,494 | (11,588) 10,906 |
| Accounts payable other and others    |   | 86,128  | (86,128) |        |                 |
|                                      | ₩ | 108,622 | (86,128) | 22,494 | (11,588) 10,906 |



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**26. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement, Continued

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2018 and December 31, 2017 are as follows, Continued:

*(In millions of won)*

|                               |                  |                        | <b>December 31, 2017</b>  |                           |               |
|-------------------------------|------------------|------------------------|---------------------------|---------------------------|---------------|
|                               |                  |                        | <b>Net financial</b>      |                           |               |
|                               |                  |                        | <b>instruments</b>        |                           |               |
|                               |                  |                        | <b>presented on the</b>   | <b>Relevant financial</b> |               |
|                               |                  |                        | <b>statement of</b>       | <b>instruments not</b>    | <b>Net</b>    |
|                               |                  |                        | <b>financial position</b> | <b>offset</b>             | <b>amount</b> |
|                               |                  | <b>Gross financial</b> | <b>Amount</b>             |                           |               |
|                               |                  | <b>instruments</b>     | <b>offset</b>             |                           |               |
|                               |                  | <b>recognized</b>      |                           |                           |               |
| <b>Financial assets:</b>      |                  |                        |                           |                           |               |
| Derivatives(*)                |                  | ₩ 26,297               |                           | 26,297                    | 6,516         |
| Accounts receivable           | trade and others | 88,901                 | (88,301)                  | 600                       | 600           |
|                               |                  | ₩ 115,198              | (88,301)                  | 26,897                    | 7,116         |
| <b>Financial liabilities:</b> |                  |                        |                           |                           |               |
| Derivatives(*)                |                  | ₩ 19,781               |                           | 19,781                    | (19,781)      |
| Accounts payable              | other and others | 88,301                 | (88,301)                  |                           |               |
|                               |                  | ₩ 108,082              | (88,301)                  | 19,781                    | (19,781)      |

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

**27. Related Parties and Others**

(1) List of related parties

| <b>Relationship</b>         | <b>Company</b>        |
|-----------------------------|-----------------------|
| Ultimate Controlling Entity | SK Holdings Co., Ltd. |

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|                |   |
|----------------|---|
| Subsidiaries   | SK Planet Co., Ltd. and 42 others(*)                                      |
| Joint ventures | Dogus Planet, Inc. and 3 others   |
| Associates     | SK hynix Inc. and 39 others   |
| Others         | The Ultimate Controlling Entity s other subsidiaries and associates, etc. |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others**

(1) List of related parties

(\*) As of March 31, 2018, subsidiaries of the Company are as follows:

|                                      | <b>Company</b>                              | <b>Ownership<br/>percentage(%)(*1)</b> | <b>Types of business</b>  |
|--------------------------------------|---|--|---|
| Subsidiaries owned by the<br>Company | SK Telink Co., Ltd.                         | 100.0                                  | Telecommunication and<br>MVNO(Mobile Virtual<br>Network Operator) service |
|                                      | SK Communications Co., Ltd.                 | 100.0                                  | Internet website services   |
|                                      | SK Broadband Co., Ltd.                      | 100.0                                  | Telecommunication<br>services   |
|                                      | PS&Marketing Corporation                    | 100.0                                  | Communications device<br>retail business                                  |
|                                      | SERVICEACE Co., Ltd.                        | 100.0                                  | Customer center<br>management service                                     |
|                                      | SERVICE TOP Co., Ltd.                       | 100.0                                  | Customer center<br>management service                                     |
|                                      | Network O&S Co., Ltd.                       | 100.0                                  | Base station maintenance<br>service                                       |
|                                      | SK Telecom China Holdings Co., Ltd.         | 100.0                                  | Investment  |
|                                      | SK Global Healthcare Business Group<br>Ltd. | 100.0                                  | Investment  |
|                                      | SKT Vietnam PTE. Ltd.                       | 73.3                                   | Telecommunication<br>services   |
|                                      | YTK Investment Ltd.                         | 100.0                                  | Investment  |
|                                      | Atlas Investment                            | 100.0                                  | Investment  |
|                                      | SKT Americas, Inc.                          | 100.0                                  | Information gathering and<br>consulting                                   |
|                                      | SK techx Co., Ltd.                          | 100.0                                  | System software<br>development and supply                                 |
|                                      | One Store Co., Ltd.                         | 65.5                                   | Telecommunication<br>services   |
|                                      | SK Planet Co., Ltd.                         | 98.1                                   | Telecommunication<br>services   |
|                                      | IRIVER LIMITED                              | 45.9                                   | Manufacturing of media<br>and audio equipment                             |

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|   |  |       |  |
|---|--|-------|--|
|   | FSK L&S Co., Ltd.(*2)                            | 60.0  | Freight forwarding and logistics consulting              |
|   | SK Telecom Japan Inc.(*3)                        | 100.0 | Information gathering and consulting                     |
| Subsidiaries owned by SK Planet Co., Ltd. | SK m&service Co.,Ltd.                            | 100.0 | Database and internet website service                    |
|   | SK Planet Japan, K. K.                           | 79.5  | Digital contents sourcing service                        |
|   | SK Planet Global PTE. Ltd.                       | 100.0 | Digital contents sourcing service                        |
|   | SKP GLOBAL HOLDINGS PTE. LTD.                    | 100.0 | Investment   |
|   | SKP America LLC.                                 | 100.0 | Digital contents sourcing service                        |
|   | shopkick Management Company, Inc. shopkick, Inc. | 100.0 | Investment   |
|   |  | 100.0 | Reward points-based in-store shopping app development    |
|   | 11street (Thailand) Co., Ltd.                    | 100.0 | Electronic commerce                                      |
|   | Hello Nature Ltd.                                | 100.0 | Retail of agro-fisheries and livestock                   |
| Subsidiaries owned by IRIVER LIMITED      | iriver Enterprise Ltd.                           | 100.0 | Management of Chinese subsidiaries                       |
|   | iriver Inc.                                      | 100.0 | Sales and marketing in North America                     |
|   | iriver China Co., Ltd.                           | 100.0 | Sales and manufacturing of MP3 and 4 in China            |
|   | Dongguan iriver Electronics Co., Ltd.            | 100.0 | Sales and Manufacturing of e-book in China               |
|   | groovers Japan Co., Ltd.                         | 100.0 | Digital music contents sourcing and distribution service |
|   | S.M. LIFE DESIGN COMPANY JAPAN INC.              | 100.0 | Selling of goods in Japan                                |
|   | S.M. Mobile Communications JAPAN Inc.            | 100.0 | Digital contents service                                 |
|   | groovers Inc.(*4)                                | 100.0 | Selling of contents and MQS album                        |
| Subsidiaries owned by SK Telink Co., Ltd. | NSOK Co., Ltd.                                   | 100.0 | Security systems service                                 |
| Subsidiaries owned by SK techx Co., Ltd.  | K-net Culture and Contents Venture Fund          | 59.0  | Capital investing in startups                            |

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others, Continued**

(1) List of related parties, Continued

(\*) As of March 31, 2018, subsidiaries of the Company are as follows, Continued:

| Company                                      | Ownership percentage(%)(*1) | Types of business                                   |
|--|-----------------------------|---|
| Subsidiaries owned by SK Broadband Co., Ltd. |                             |   |
| Home & Service Co., Ltd.                     | 100.0                       | Operation of information and communication facility |
| SK stoa Co., Ltd.                            | 100.0                       | Other telecommunication retail business             |
| Subsidiary owned by FSK L&S Co., Ltd.        |                             |   |
| FSK L&S(Shanghai) Co., Ltd.                  | 66.0                        | Transit   |
| Others(*5)                                   |                             |   |
| SK Telecom Innovation Fund, L.P.             | 100.0                       | Investment  |
| SK Telecom China Fund I L.P.                 | 100.0                       | Investment  |

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

(\*2) The Company acquired FSK L&S Co., Ltd. from SK Holdings Co., Ltd. during the three-month period ended March 31, 2018.

(\*3) SK Telecom Japan Inc. was established during the three-month period ended March 31, 2018.

(\*4) groovers Inc. became a subsidiary of IRIVER LIMITED as a result of the IRIVER LIMITED s acquisition of additional ownership interests during the three-month period ended March 31, 2018.

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

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

(2) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management. The compensation given to such key management for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>    | <b>For the three-month period ended</b> |                       |
|--------------------------------|---|-----------------------|
|                                | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Salaries                       | ₩ 2,737                                 | 1,168                 |
| Defined benefits plan expenses | 557                                     | 7                     |
| Share option                   | 139                                     | 12                    |
|                                | ₩ 3,433                                 | 1,187                 |

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others, Continued**

(3) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows:

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

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|        |           |           |        |
|--------|-----------|-----------|--------|
| Others | 3,582     | 10,115    | 544    |
|        | 9,100     | 27,017    | 18,964 |
|        | ₩ 235,708 | 1,007,570 | 26,990 |

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

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

(\*3) Operating revenue and others include ₩146,100 million of dividends income accrued.



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others, Continued**

- (3) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows, Continued:

| <i>(In millions of won)</i> |   | For the three-month period ended March 31, 2017 |                               |                                       |
|-----------------------------|---|---|-------------------------------|---------------------------------------|
|                             |   | Operating revenue and others                    | Operating expenses and others | Acquisition of property and equipment |
| <b>Scope</b>                | <b>Company</b>                          |   |                               |                                       |
| Ultimate Controlling Entity | SK Holdings Co.,Ltd.(*1)                | ₩ 2,680   | 249,909                       | 25,086                                |
| Subsidiaries                | SK Broadband Co., Ltd.                  | 27,486  | 145,117                       | 88                                    |
|                             | PS&Marketing Corporation(*2)            | 4,050   | 337,204                       |                                       |
|                             | Network O&S Co., Ltd.                   | 758   | 51,988                        | 2,519                                 |
|                             | SK Planet Co., Ltd.                     | 7,119   | 5,761                         |                                       |
|                             | SK Telink Co., Ltd.                     | 14,473  | 4,485                         |                                       |
|                             | SERVICEACE Co., Ltd.                    | 1,976   | 32,695                        |                                       |
|                             | SERVICE TOP Co., Ltd.                   | 2,129   | 34,326                        |                                       |
|                             | SK techx Co., Ltd.                      | 783   | 47,762                        |                                       |
|                             | Others                                  | 6,771   | 11,763                        | 54                                    |
|                             |   |   | 65,545                        | 671,101                               |
| Associates                  | F&U Credit information Co., Ltd.        | 406   | 12,238                        |                                       |
|                             | HappyNarae Co., Ltd.                    |   | 5,589                         | 2,252                                 |
|                             | SK hynix Inc.(*3)                       | 91,520  | 32                            |                                       |
|                             | KEB HanaCard Co., Ltd.                  | 4,597   | 3,686                         |                                       |
|                             | Others                                  | 287   | 21,069                        |                                       |
|                             |   | 96,810  | 42,614                        | 2,252                                 |
| Other                       | SK Engineering & Construction Co., Ltd. | 618   |                               |                                       |
|                             | SK Innovation Co., Ltd.                 | 10,677  | 181                           |                                       |
|                             | SK Networks Co., Ltd.                   | 2,786   | 4,114                         |                                       |
|                             | SK Networks Service Co., Ltd.           |   | 11,845                        |                                       |
|                             | SK Telesys Co., Ltd.                    | 55  | 246                           | 8,720                                 |

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|                  |           |         |        |
|------------------|-----------|---------|--------|
| SK TNS CO., LTD. | 25        | 247     | 15,617 |
| Others           | 2,147     | 11,625  | 75     |
|                  | 16,308    | 28,258  | 24,412 |
|                  | ₩ 181,343 | 991,882 | 54,411 |

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

(\*2) Operating expenses and others include ₩158,105 million paid to PS&Marketing Corporation relating to purchase of accounts receivables resulting from sale of handsets.

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

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others, Continued****(4) Account balances with related parties as of March 31, 2018 and December 31, 2017 are as follows:**

| Scope                            | Company                  | Loans                | March 31, 2018                    |                                      |         |
|----------------------------------|--------------------------|----------------------|-----------------------------------|--------------------------------------|---------|
|                                  |                          |                      | Accounts receivable<br>and others | Accounts payable<br>other and others |         |
| <i>(In millions of won)</i>      |                          |                      |                                   |                                      |         |
| Ultimate Controlling Entity      | SK Holdings Co., Ltd.    | ₩                    | 11,122                            | 217,708                              |         |
| Subsidiaries                     | SK Broadband Co., Ltd.   |                      | 10,362                            | 43,878                               |         |
|                                  | PS&Marketing Corporation |                      | 265                               | 102,011                              |         |
|                                  | Network O&S Co., Ltd.    |                      | 51                                | 20,118                               |         |
|                                  | SK Planet Co., Ltd.      |                      | 4,474                             | 11,432                               |         |
|                                  | SK Telink Co., Ltd.      |                      | 9,316                             | 3,714                                |         |
|                                  | SERVICE ACE Co., Ltd.    |                      | 206                               | 19,389                               |         |
|                                  | SERVICE TOP Co., Ltd.    |                      | 143                               | 19,195                               |         |
|                                  | SK techx Co., Ltd.       |                      | 1,329                             | 21,853                               |         |
|                                  | One Store Co., Ltd.      |                      | 1,135                             | 23,720                               |         |
|                                  | SK m&service Co.,Ltd.    |                      | 3,071                             | 5,106                                |         |
|                                  | Others                   |                      | 768                               | 14,420                               |         |
|                                  |                          |                      |                                   | 31,120                               | 284,836 |
|                                  | Associates               | HappyNarae Co., Ltd. |                                   |                                      | 1,662   |
| SK hynix Inc.                    |                          |                      | 151,110                           |                                      |         |
| Wave City Development Co., Ltd.  |                          |                      | 38,412                            |                                      |         |
| Daehan Kanggun BcN Co., Ltd.(*)  |                          | 22,147               |                                   |                                      |         |
| KEB HanaCard Co., Ltd.           |                          |                      | 1,360                             | 10,040                               |         |
| S.M. Culture & Contents Co.,Ltd. |                          |                      |                                   | 2,138                                |         |

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|       |  |         |         |         |
|-------|--|---------|---------|---------|
|       | Others                                       | 611     | 2,123   | 1,068   |
|       |  | 22,758  | 193,005 | 14,908  |
| Other | SK Engineering and<br>Construction Co., Ltd. |         | 187     |         |
|       | SK Networks Co., Ltd.                        |         | 2,690   | 831     |
|       | SK Networks Services<br>Co., Ltd.            |         |         | 7,527   |
|       | SK Telesys Co., Ltd.                         |         | 26      | 1,340   |
|       | SK Innovation Co.,<br>Ltd.                   |         | 2,296   | 173     |
|       | SK TNS Co., Ltd.                             |         | 8       | 13,835  |
|       | Others                                       |         | 1,869   | 7,930   |
|       |  |         | 7,076   | 31,636  |
| Total |  | ₩22,758 | 242,323 | 549,088 |

(\*) As of March 31, 2018, the Company recognized full loan loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**27. Related Parties and Others, Continued**

- (4) Account balances with related parties as of March 31, 2018 and December 31, 2017 are as follows,  
Continued:

| <i>(In millions of won)</i> | Scope                       | Company                          | December 31, 2017                |   |         |
|-----------------------------|-----------------------------|----------------------------------|----------------------------------|---|---------|
|                             |                             |                                  | Loans                            | Accounts receivable<br>Accounts payable |         |
|                             |                             |                                  | receivable - trade<br>and others | other and others                        |         |
|                             | Ultimate Controlling Entity | SK Holdings Co., Ltd.            | ₩                                | 1,819                                   | 82,456  |
|                             | Subsidiaries                | SK Broadband Co., Ltd.           |                                  | 12,458                                  | 117,262 |
|                             |                             | PS&Marketing Corporation         |                                  | 335                                     | 116,333 |
|                             |                             | Network O&S Co., Ltd.            |                                  | 611                                     | 52,507  |
|                             |                             | SK Planet Co., Ltd.              |                                  | 4,232                                   | 14,487  |
|                             |                             | SK Telink Co., Ltd.              |                                  | 8,626                                   | 4,119   |
|                             |                             | SERVICE ACE Co., Ltd.            |                                  | 252                                     | 24,432  |
|                             |                             | SERVICE TOP Co., Ltd.            |                                  | 136                                     | 26,625  |
|                             |                             | SK techx Co., Ltd.               |                                  | 1,273                                   | 22,722  |
|                             |                             | One Store Co., Ltd.              |                                  | 226                                     | 23,210  |
|                             |                             | SK m&service Co.,Ltd.            |                                  | 5,967                                   | 6,096   |
|                             |                             | Others                           |                                  | 2,059                                   | 17,860  |
|                             |                             |                                  |                                  | 36,175                                  | 425,653 |
|                             | Associates                  | HappyNarae Co., Ltd.             |                                  | 8                                       | 1,305   |
|                             |                             | SK hynix Inc.                    |                                  | 2,803                                   | 94      |
|                             |                             | Wave City Development Co., Ltd.  |                                  | 38,412                                  |         |
|                             |                             | Daehan Kanggun BcN Co., Ltd.(*)  | 22,147                           |   |         |
|                             |                             | KEB HanaCard Co., Ltd.           |                                  | 1,427                                   | 11,080  |
|                             |                             | S.M. Culture & Contents Co.,Ltd. |                                  | 77                                      | 4,559   |

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|       |  |          |        |         |
|-------|--|----------|--------|---------|
|       | Others                                       | 611      | 1,928  | 2,443   |
|       |  | 22,758   | 44,655 | 19,481  |
| Other | SK Engineering and<br>Construction Co., Ltd. |          | 1,413  | 69      |
|       | SK Networks Co., Ltd.                        |          | 2,279  | 1,469   |
|       | SK Networks Services<br>Co., Ltd.            |          | 14     | 8,646   |
|       | SK Telesys Co., Ltd.                         |          | 26     | 397     |
|       | SK Innovation Co.,<br>Ltd.                   |          | 2,530  | 564     |
|       | SK TNS Co., Ltd.                             |          |        | 133,220 |
|       | Others                                       |          | 1,884  | 14,016  |
|       |  |          | 8,146  | 158,381 |
| Total |  | ₩ 22,758 | 90,795 | 685,971 |

(\*) As of December 31, 2017, the Company recognized full loan loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

## 28. Commitments and Contingencies

### (1) Accounts receivables from sale of handsets

The dealers of the Company sell handsets to the Company's wireless subscribers on an installment basis. During the three-month period ended March 31, 2018, the Company entered into a comprehensive agreement to purchase the accounts receivables from handset sales with dealers and to transfer the accounts receivables from handset sales to special purpose companies which were established with the purpose of liquidating receivables, respectively.

The accounts receivables from sale of handsets amounting to ₩1,050,658 million as of March 31, 2018 which the Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable other and long-term accounts receivable other.

### (2) Legal claims and litigations

As of March 31, 2018, the Company is involved in various legal claims and litigation. Provisions recognized in relation to these claims and litigation is immaterial. In connection with these legal claims and litigation for which no provision was recognized, management does not believe the Company has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Company's financial position or operating results in the event an outflow of resources is ultimately necessary.

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**29. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                                      | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Gain on foreign currency translations                            | ₩ (16)                                  | (30)                  |
| Interest income  | (11,594)                                | (20,308)              |
| Dividends  | (161,242)                               | (97,811)              |
| Gain relating to financial assets at FVTPL                       | (992)                                   | (1,069)               |
| Gain on disposal of long-term investment securities              |   | (2,267)               |
| Gain on disposal of property and equipment and intangible assets | (114)                                   | (4,012)               |
| Gain on valuation of derivatives                                 | (319)                                   | (355)                 |
| Gain on sale of accounts receivable - other                      | (3,749)                                 | (5,025)               |
| Loss on foreign currency translations                            | 64                                      | 1,767                 |
| Bad debt for accounts receivable - trade                         | 4,486                                   | 1,245                 |
| Bad debt for accounts receivable - other                         | 723                                     | 2,697                 |
| Loss on disposal of long-term investments securities             |   | 49                    |
| Loss relating to financial assets at FVTPL                       | 200                                     |                       |
| Depreciation and amortization                                    | 636,161                                 | 613,853               |
| Loss on disposal of property and equipment and intangible assets | 390                                     | 1,760                 |
| Interest expenses  | 60,933                                  | 61,651                |
| Loss relating to financial liabilities at FVTPL                  | 288                                     | 331                   |
| Retirement benefit expenses                                      | 9,642                                   | 9,446                 |
| Share option   | 139                                     | 12                    |
| Income tax expense   | 113,049                                 | 101,427               |
| Other expenses   | 2,685                                   | 1,203                 |
|  | ₩ 650,734                               | 664,564               |



SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (2) Changes in assets and liabilities from operating activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>         | <b>For the three-month period ended</b> |                       |
|-------------------------------------|---|-----------------------|
|                                     | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Accounts receivable trade           | ₩ (2,941)                               | 60,787                |
| Accounts receivable other           | (84,456)                                | 176,749               |
| Advance payments                    | 2,424                                   | 3,883                 |
| Prepaid expenses                    | 53,220                                  | 4,577                 |
| Inventories                         | 8,287                                   | 7,572                 |
| Long-term accounts receivable other | 154,185                                 | 80,062                |
| Long-term prepaid expenses          | (26,220)                                | 2,074                 |
| Guarantee deposits                  | 2,901                                   | 2,605                 |
| Accounts payable other              | (186,630)                               | (347,018)             |
| Advanced receipts                   |   | (3,387)               |
| Withholdings                        | 182,518                                 | 61,510                |
| Deposits received                   | (753)                                   | (2,986)               |
| Accrued expenses                    | (140,102)                               | (99,079)              |
| Unearned revenue                    |   | (231)                 |
| Provisions                          | (264)                                   | 506                   |
| Long-term provisions                | 748                                     | (2,988)               |
| Plan assets                         | 5,731                                   | 2,521                 |
| Retirement benefit payment          | (4,457)                                 | (3,984)               |
| Contract liabilities                | 11,994                                  |                       |
| Others                              | (3,346)                                 | 87                    |
|                                     | <b>₩ (27,161)</b>                       | <b>(56,740)</b>       |

- (3) Significant non-cash transactions for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>  | <b>March 31,<br/>2018</b> | <b>March 31,<br/>2017</b> |
|--|---------------------------|---------------------------|
| Decrease in accounts payable - other relating to the acquisition of property and equipment and intangible assets | (389,325)                 | (362,952)                 |

**30. Subsequent Events**

On May 8, 2018, the Company entered into a contract to acquire 740,895 shares of Siren Holdings Korea Co., Ltd. at ₩702,000 million in cash in order to strengthen the security business and expand customer base for Home business. This contract requires Siren Holdings Korea Co., Ltd. to merge Siren Investments Korea Co., Ltd. which wholly owns ADT Caps Co., Ltd. as a prerequisite. At the conclusion of this acquisition, the Company expects to own 55% ownership interests in Siren Holdings Korea Co., Ltd. and will obtain control over ADT Caps Co., Ltd. The acquisition transaction is subject to government's approval.

**SK TELECOM CO., LTD. AND SUBSIDIARIES**

Condensed Consolidated Interim Financial Statements

(Unaudited)

**March 31, 2018 and 2017**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of March 31, 2018, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditors' responsibility**

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

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

### **Conclusion**

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

### **Emphasis of matter**

As a matter that does not have an impact on our review conclusion, we highlight the attention of the users of the above-mentioned financial statements of the Group for the following matter described in Note 3 to the condensed consolidated financial statements. The Group has initially adopted K-IFRS No. 1109 and 1115 for the year beginning on January 1, 2018, and the Group has taken an exemption not to restate the condensed consolidated financial statements as of December 31, 2017 or for the three-month period ended March 31, 2017, presented for comparative

purposes, in accordance with transition requirements. The financial impacts of applying K-IFRS No. 1109 and 1115 are discussed in Note 3.

**Other matters**

The consolidated statement of financial position of the Group as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2018, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2017, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

May 11, 2018

This report is effective as of May 11, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Financial Position

As of March 31, 2018 and December 31, 2017

| <i>(In millions of won)</i>                  | Note            | March 31,<br>2018   | December 31,<br>2017 |
|--|-----------------|---------------------|----------------------|
| <b>Assets</b>                                |                 |                     |                      |
| <b>Current Assets:</b>                       |                 |                     |                      |
| Cash and cash equivalents                    | 3,27,28         | ₩ 1,885,744         | 1,457,735            |
| Short-term financial instruments             | 3,27,28,30      | 566,504             | 616,780              |
| Short-term investment securities             | 3,9,27,28       | 77,407              | 144,386              |
| Accounts receivable trade, net               | 3,5,27,28,29    | 2,090,501           | 2,126,007            |
| Short-term loans, net                        | 3,5,27,28,29    | 78,892              | 62,830               |
| Accounts receivable other, net               | 3,5,27,28,29,30 | 1,510,693           | 1,260,835            |
| Prepaid expenses                             | 3,6             | 1,850,764           | 197,046              |
| Contract assets                              | 3,7             | 98,524              |                      |
| Inventories, net                             | 8               | 254,483             | 272,403              |
| Advance payments and other                   | 3,5,6,27,28,29  | 57,786              | 63,777               |
| <b>Total Current Assets</b>                  |                 | <b>8,471,298</b>    | <b>6,201,799</b>     |
| <b>Non-Current Assets:</b>                   |                 |                     |                      |
| Long-term financial instruments              | 3,27,28         | 1,222               | 1,222                |
| Long-term investment securities              | 3,9,27,28       | 1,096,656           | 887,007              |
| Investments in associates and joint ventures | 11              | 10,064,015          | 9,538,438            |
| Property and equipment, net                  | 12,29,30        | 9,648,556           | 10,144,882           |
| Goodwill                                     |                 | 1,917,813           | 1,915,017            |
| Intangible assets, net                       | 13              | 3,452,451           | 3,586,965            |
| Long-term contract assets                    | 3,7             | 26,638              |                      |
| Long-term loans, net                         | 3,5,27,28,29    | 49,812              | 50,874               |
| Long-term accounts receivable - other        | 3,5,27,28,30    | 130,932             | 287,048              |
| Long-term prepaid expenses                   | 3,6             | 823,925             | 90,834               |
| Guarantee deposits                           | 3,5,27,28,29    | 288,211             | 292,590              |
| Long-term derivative financial assets        | 3,27,28         | 12,512              | 253,213              |
| Defined benefit assets                       | 17              | 22,999              | 45,952               |
| Deferred tax assets                          | 3,25            | 81,814              | 88,132               |
| Other non-current assets                     | 5,27,28         | 45,534              | 44,696               |
| <b>Total Non-Current Assets</b>              |                 | <b>27,663,090</b>   | <b>27,226,870</b>    |
| <b>Total Assets</b>                          |                 | <b>₩ 36,134,388</b> | <b>33,428,669</b>    |

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





## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Financial Position, Continued

As of March 31, 2018 and December 31, 2017

| <i>(In millions of won)</i>                                   | Note       | March 31,<br>2018 | December 31,<br>2017 |
|---|------------|-------------------|----------------------|
| <b>Liabilities and Shareholders Equity</b>                    |            |                   |                      |
| <b>Current Liabilities:</b>                                   |            |                   |                      |
| Accounts payable - trade                                      | 27,28,29   | 243,520           | 351,711              |
| Accounts payable - other                                      | 27,28,29   | 1,825,389         | 1,867,074            |
| Short-term borrowings   | 14,27,28   | ₩ 30,000          | 130,000              |
| Current installments of long-term debt, net                   | 14,27,28   | 1,389,367         | 1,530,948            |
| Current installments of long-term payables other              | 15,27,28   | 298,251           | 302,703              |
| Receipts in advance   | 3          |                   | 161,266              |
| Withholdings  | 3,27,28,29 | 1,410,854         | 961,501              |
| Contract liabilities  | 3,7        | 117,932           |                      |
| Accrued expenses  | 27,28      | 1,171,060         | 1,327,906            |
| Income tax payable  | 25         | 310,372           | 219,791              |
| Unearned revenue  | 3          |                   | 175,732              |
| Derivative financial liabilities                              | 27,28      | 33,899            | 28,406               |
| Provisions  | 3,16       | 53,055            | 52,057               |
| Other current liabilities                                     |            | 13                | 28                   |
| <b>Total Current Liabilities</b>                              |            | <b>6,883,712</b>  | <b>7,109,123</b>     |
| <b>Non-Current Liabilities:</b>                               |            |                   |                      |
| Debentures, excluding current installments, net               | 14,27,28   | 6,171,892         | 5,596,570            |
| Long-term borrowings, excluding current installments, net     | 14,27,28   | 161,021           | 211,486              |
| Long-term payables other, excluding current installments, net | 15,27,28   | 1,054,139         | 1,346,763            |
| Long-term unearned revenue                                    | 3          |                   | 7,052                |
| Long-term contract liabilities                                | 3,7        | 18,401            |                      |
| Defined benefit liabilities                                   | 17         | 83,540            | 61,960               |
| Long-term derivative financial liabilities                    | 27,28      | 11,035            | 11,064               |
| Long-term provisions  | 16         | 32,409            | 32,669               |
| Deferred tax liabilities                                      | 3,25       | 1,685,042         | 978,693              |
| Other non-current liabilities                                 | 3,27,28    | 45,374            | 44,094               |
| <b>Total Non-Current Liabilities</b>                          |            | <b>9,262,853</b>  | <b>8,290,351</b>     |
| <b>Total Liabilities</b>                                      |            | <b>16,146,565</b> | <b>15,399,474</b>    |
| <b>Shareholders Equity</b>                                    |            |                   |                      |
| Share capital   | 1,18       | 44,639            | 44,639               |
| Capital surplus and others                                    | 10,18,19   | 196,821           | 196,281              |
| Retained earnings   | 3,20       | 19,842,372        | 17,835,946           |
| Reserves  | 3,21       | (292,770)         | (234,727)            |

|  |                     |                   |
|--|---------------------|-------------------|
| <b>Equity attributable to owners of the Parent Company</b> | 19,791,062          | 17,842,139        |
| <b>Non-controlling interests</b>                           | 196,761             | 187,056           |
| <b>Total Shareholders Equity</b>                           | <b>19,987,823</b>   | <b>18,029,195</b> |
| <b>Total Liabilities and Shareholders Equity</b>           | <b>₩ 36,134,388</b> | <b>33,428,669</b> |

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

## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Income

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won except for per share data)</i>              | Note   | March 31,<br>2018 | March 31,<br>2017 |
|--|--------|-------------------|-------------------|
| <b>Operating revenue:</b>  | 3,4,29 |                   |                   |
| Revenue  |        | ₩ 4,181,537       | 4,234,365         |
| <b>Operating expenses:</b>   | 3,29   |                   |                   |
| Labor  | 3      | 549,971           | 462,841           |
| Commissions  | 3      | 1,262,099         | 1,363,336         |
| Depreciation and amortization                                      | 4      | 785,979           | 761,716           |
| Network interconnection  |        | 214,960           | 221,080           |
| Leased line  |        | 80,661            | 87,816            |
| Advertising  | 3      | 100,117           | 85,428            |
| Rent   |        | 131,613           | 133,071           |
| Cost of goods that have been resold                                |        | 410,859           | 402,162           |
| Others   | 22     | 319,802           | 306,413           |
|  |        | 3,856,061         | 3,823,863         |
| <b>Operating profit</b>  | 3,4    | <b>325,476</b>    | <b>410,502</b>    |
| Finance income   | 4,24   | 49,797            | 52,541            |
| Finance costs  | 4,24   | (84,879)          | (91,314)          |
| Gains related to investments in associates and joint ventures, net | 4,11   | 626,643           | 379,961           |
| Other non-operating income   | 4,23   | 16,920            | 8,784             |
| Other non-operating expenses                                       | 4,23   | (26,967)          | (36,254)          |
| <b>Profit before income tax</b>                                    | 3,4    | <b>906,990</b>    | <b>724,220</b>    |
| Income tax expense   | 3,25   | 213,618           | 140,739           |
| <b>Profit for the period</b>                                       | 3      | <b>₩ 693,372</b>  | <b>583,481</b>    |
| Attributable to :  |        |                   |                   |
| Owners of the Parent Company                                       |        | ₩ 694,959         | 589,134           |
| Non-controlling interests  | 3      | (1,587)           | (5,653)           |
| <b>Earnings per share:</b>   | 26     |                   |                   |
| Basic and diluted earnings per share (in won)                      |        | ₩ 9,842           | 8,344             |

See accompanying notes to the condensed consolidated interim financial statements.

## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>  | Note  | March 31,<br>2018 | March 31,<br>2017 |
|--|-------|-------------------|-------------------|
| <b>Profit for the period</b>   |       | <b>₩ 693,372</b>  | <b>583,481</b>    |
| <b>Other comprehensive income (loss):</b>  |       |                   |                   |
| <b>Items that will never be reclassified to profit or loss, net of taxes:</b>                        |       |                   |                   |
| Remeasurement of defined benefit liabilities   | 17    | (13,150)          | (11,287)          |
| Valuation loss on financial assets at fair value through other comprehensive income                  | 21    | (19,921)          |                   |
| <b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b>           |       |                   |                   |
| Net change in unrealized fair value of available-for-sale financial assets                           | 21    |                   | 49,205            |
| Net change in accumulated other comprehensive income of investments in associates and joint ventures | 11,21 | 38,561            | (102,367)         |
| Net change in unrealized fair value of derivatives   | 21    | (9,678)           | (8,770)           |
| Foreign currency translations differences for foreign operations                                     | 21    | 2,100             | (36,864)          |
| <b>Other comprehensive loss for the period, net of taxes</b>   |       | <b>₩ (2,088)</b>  | <b>(110,083)</b>  |
| <b>Total comprehensive income</b>  |       | <b>₩ 691,284</b>  | <b>473,398</b>    |
| <b>Total comprehensive income (loss) attributable to:</b>  |       |                   |                   |
| Owners of the Parent Company   |       | 692,594           | 479,680           |
| Non-controlling interests  |       | (1,310)           | (6,282)           |

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

## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2018 and 2017

| (In millions of<br>won)                    | Controlling Interest |               |   |                      |           | Total      | Non-controlling<br>interests | Total<br>equity |
|--|----------------------|---------------|---|----------------------|-----------|------------|------------------------------|-----------------|
|  | Note                 | Share capital | Capital surplus<br>and other capital<br>adjustments | Retained<br>earnings | Reserves  |            |                              |                 |
| <b>Balance,<br/>January 1,<br/>2017</b>    |                      | ₩ 44,639      | 199,779   | 15,953,164           | (226,183) | 15,971,399 | 145,031                      | 16,116,430      |
| Total<br>comprehensive<br>income:          |                      |               |   |                      |           |            |                              |                 |
| Profit for the<br>period                   |                      |               |   | 589,134              |           | 589,134    | (5,653)                      | 583,481         |
| Other<br>comprehensive<br>loss             | 17,21                |               |   | (11,266)             | (98,188)  | (109,454)  | (629)                        | (110,083)       |
|  |                      |               |   | 577,868              | (98,188)  | 479,680    | (6,282)                      | 473,398         |
| Transactions<br>with owners:               |                      |               |   |                      |           |            |                              |                 |
| Annual<br>dividends                        |                      |               |   | (635,482)            |           | (635,482)  | (281)                        | (635,763)       |
| Share option                               |                      |               | 12  |                      |           | 12         |                              | 12              |
| Changes in<br>ownership in<br>subsidiaries |                      |               | (7,999)   |                      |           | (7,999)    | (33,567)                     | (41,566)        |
|  |                      |               | (7,987)   | (635,482)            |           | (643,469)  | (33,848)                     | (677,317)       |
| <b>Balance,<br/>March 31,<br/>2017</b>     |                      | ₩ 44,639      | 191,792   | 15,895,550           | (324,371) | 15,807,610 | 104,901                      | 15,912,511      |
| <b>Balance,<br/>December 31,<br/>2017</b>  |                      | 44,639        | 196,281   | 17,835,946           | (234,727) | 17,842,139 | 187,056                      | 18,029,195      |
| Impact of<br>adopting<br>K-IFRS            |                      |               |   |                      |           |            |                              |                 |
| No. 1115                                   | 3                    |               |   | 1,900,049            |           | 1,900,049  |                              | 1,900,049       |
| Impact of<br>adopting                      | 3                    |               |   | 60,026               | (68,804)  | (8,778)    |                              | (8,778)         |

K-IFRS  
No. 1109

|  |                     |         |            |           |            |         |            |
|--|---------------------|---------|------------|-----------|------------|---------|------------|
| <b>Balance,<br/>January 1,<br/>2018</b>    | <del>₩</del> 44,639 | 196,281 | 19,796,021 | (303,531) | 19,733,410 | 187,056 | 19,920,466 |
| Total<br>comprehensive<br>income:          |                     |         |            |           |            |         |            |
| Profit for the<br>period                   |                     |         | 694,959    |           | 694,959    | (1,587) | 693,372    |
| Other<br>comprehensive<br>income (loss)    |                     |         | (13,126)   | 10,761    | (2,365)    | 277     | (2,088)    |
|  |                     |         | 681,833    | 10,761    | 692,594    | (1,310) | 691,284    |
| Transactions<br>with owners:               |                     |         |            |           |            |         |            |
| Annual<br>dividends                        |                     |         | (635,482)  |           | (635,482)  |         | (635,482)  |
| Share option                               |                     | 139     |            |           | 139        |         | 139        |
| Changes in<br>ownership in<br>subsidiaries |                     | 401     |            |           | 401        | 11,015  | 11,416     |
|  |                     | 540     | (635,482)  |           | (634,942)  | 11,015  | (623,927)  |
| <b>Balance,<br/>March 31,<br/>2018</b>     | <del>₩</del> 44,639 | 196,821 | 19,842,372 | (292,770) | 19,791,062 | 196,761 | 19,987,823 |

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

## SK TELECOM CO., LTD. and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>  | Note | March 31,<br>2018 | March 31,<br>2017 |
|--|------|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>                           |      |                   |                   |
| Cash generated from operating activities:                              |      |                   |                   |
| Profit for the period  |      | ₩ 693,372         | 583,481           |
| Adjustments for income and expenses                                    | 31   | 495,601           | 642,191           |
| Changes in assets and liabilities related to operating activities      | 31   | (138,405)         | (188,479)         |
| Sub-total  |      | 1,050,568         | 1,037,193         |
| Interest received  |      | 13,450            | 21,435            |
| Dividends received   |      | 7,766             | 1,197             |
| Interest paid  |      | (67,192)          | (55,422)          |
| Income tax paid  |      | (17,338)          | (74,045)          |
| <b>Net cash provided by operating activities</b>                       |      | <b>987,254</b>    | <b>930,358</b>    |
| <b>Cash flows from investing activities:</b>                           |      |                   |                   |
| Cash inflows from investing activities:                                |      |                   |                   |
| Decrease in short-term financial instruments, net                      |      | 72,106            |                   |
| Decrease in short-term investment securities, net                      |      | 47,185            | 60,025            |
| Collection of short-term loans   |      | 53,886            | 48,953            |
| Decrease in long-term financial instruments                            |      |                   | 1                 |
| Proceeds from disposal of long-term investment securities              |      | 3,051             | 10,848            |
| Proceeds from disposal of investments in associates and joint ventures |      | 73                | 3,941             |
| Proceeds from disposal of property and equipment                       |      | 2,283             | 8,572             |
| Proceeds from disposal of intangible assets                            |      | 6,978             | 986               |
| Collection of long-term loans  |      | 259               | 968               |
| Decrease in deposits   |      | 3,483             | 4,635             |
| Proceeds from disposal of other non-current assets                     |      | 70                | 185               |
| Acquisitions of subsidiaries, net of cash acquired                     |      | 8,579             |                   |
| Sub-total  |      | 197,953           | 139,114           |
| Cash outflows for investing activities:                                |      |                   |                   |
| Increase in short-term financial instruments, net                      |      |                   | (51,945)          |
| Increase in short-term loans   |      | (67,000)          | (55,577)          |
| Increase in long-term loans  |      | (2,370)           | (1,532)           |
| Increase in long-term financial instruments                            |      | (16)              | (27)              |
| Acquisition of long-term investment securities                         |      | (6,484)           | (2,197)           |
| Acquisition of investments in associates and joint ventures            |      | (558)             | (7)               |
| Acquisition of property and equipment                                  |      | (627,516)         | (657,808)         |
| Acquisition of intangible assets                                       |      | (34,096)          | (18,729)          |
| Increase in deposits   |      | (2,614)           | (7,545)           |



|  |                    |                  |
|--|--------------------|------------------|
| Acquisition of other non-current assets      | (1,136)            |                  |
| Sub-total                                    | (741,790)          | (795,367)        |
| <b>Net cash used in investing activities</b> | <b>₩ (543,837)</b> | <b>(656,253)</b> |

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

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2018 and 2017

| <i>(In millions of won)</i>                                   | <b>March 31,<br/>2018</b> | <b>March 31,<br/>2017</b> |
|---|---------------------------|---------------------------|
| <b>Cash flows from financing activities:</b>                  |                           |                           |
| Cash inflows from financing activities:                       |                           |                           |
| Proceeds from short-term borrowings, net                      | ₩                         | 33,467                    |
| Proceeds from issuance of debentures                          | 647,290                   | 149,347                   |
| Proceeds from long-term borrowings, net                       |                           | 70,000                    |
| Sub-total   | 647,290                   | 252,814                   |
| Cash outflows for financing activities:                       |                           |                           |
| Decrease in short-term borrowings, net                        | (100,000)                 |                           |
| Repayments of long-term account payables-other                | (304,112)                 | (303,511)                 |
| Repayments of debentures                                      | (250,000)                 | (100,000)                 |
| Repayments of long-term borrowings                            | (7,862)                   | (5,300)                   |
| Acquisition of additional interests in subsidiaries           | (1,155)                   | (41,550)                  |
| Sub-total   | (663,129)                 | (450,361)                 |
| <b>Net cash used in financing activities</b>                  | <b>(15,839)</b>           | <b>(197,547)</b>          |
| <b>Net increase in cash and cash equivalents</b>              | <b>427,578</b>            | <b>76,558</b>             |
| Cash and cash equivalents at beginning of the period          | 1,457,735                 | 1,505,242                 |
| Effects of exchange rate changes on cash and cash equivalents | 431                       | (5,822)                   |
| <b>Cash and cash equivalents at end of the period</b>         | <b>₩ 1,885,744</b>        | <b>1,575,978</b>          |

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

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity****(1) General**

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

The Parent Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of March 31, 2018, the Parent Company's total issued shares are held by the following shareholders:

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

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

**(2) List of subsidiaries**

The list of subsidiaries as of March 31, 2018 and December 31, 2017 is as follows:

| Subsidiary                          | Location            | Primary business | Ownership<br>(%)(*1)  |                  |       |
|-------------------------------------|---------------------|------------------|---|------------------|-------|
|                                     |                     |                  | Mar. 31,<br>2018  | Dec. 31,<br>2017 |       |
| Subsidiaries owned<br>by the Parent | SK Telink Co., Ltd. | Korea            | Telecommunication and<br>mobile virtual network<br>operator service | 100.0            | 100.0 |

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| Company                                   |                |   |       |       |  |
|---|----------------|---|-------|-------|--|
| SK Communications Co., Ltd.               | Korea          | Internet website services   | 100.0 | 100.0 |  |
| SK Broadband Co., Ltd.                    | Korea          | Telecommunication services  | 100.0 | 100.0 |  |
| PS&Marketing Corporation                  | Korea          | Communications device retail business                                 | 100.0 | 100.0 |  |
| SERVICEACE Co., Ltd.                      | Korea          | Customer center management service                                    | 100.0 | 100.0 |  |
| SERVICE TOP Co., Ltd.                     | Korea          | Customer center management service                                    | 100.0 | 100.0 |  |
| Network O&S Co., Ltd.                     | Korea          | Base station maintenance service                                      | 100.0 | 100.0 |  |
| SK Planet Co., Ltd.                       | Korea          | Telecommunication service   | 98.1  | 98.1  |  |
| IRIVER LIMITED (*2)                       | Korea          | Manufacturing digital audio players and other portable media devices. | 45.9  | 45.9  |  |
| SK Telecom China Holdings Co., Ltd.       | China          | Investment  | 100.0 | 100.0 |  |
| SK Global Healthcare Business Group, Ltd. | Hong Kong      | Investment  | 100.0 | 100.0 |  |
| SKT Vietnam PTE. Ltd.                     | Singapore      | Telecommunication service   | 73.3  | 73.3  |  |
| SKT Americas, Inc.                        | USA            | Information gathering and consulting                                  | 100.0 | 100.0 |  |
| YTK Investment Ltd.                       | Cayman Islands | Investment association  | 100.0 | 100.0 |  |
| Atlas Investment                          | Cayman Islands | Investment association  | 100.0 | 100.0 |  |
| SK techx Co., Ltd.                        | Korea          | System software development and supply                                | 100.0 | 100.0 |  |
| One Store Co., Ltd.                       | Korea          | Telecommunication services  | 65.5  | 65.5  |  |
| FSK L&S Co., Ltd.(*3)                     | Korea          | Freight forwarding and logistics consulting                           | 60.0  |       |  |
| SK Telecom Japan Inc.(*3)                 | Japan          | Information gathering and consulting                                  | 100.0 |       |  |

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

The list of subsidiaries as of March 31, 2018 and December 31, 2017 is as follows, Continued:

| Subsidiary                                | Location                             | Primary business       | Ownership<br>(%)(*1)  |                                  |       |
|---|--------------------------------------|------------------------|---|----------------------------------|-------|
|   |                                      |                        | Mar. 31,<br>2018  | Dec. 31,<br>2017                 |       |
| Subsidiaries owned by SK Planet Co., Ltd. | SK m&service Co.,Ltd.                | Korea                  | Data base and internet website service                        | 100.0                            | 100.0 |
|   | SK Planet Japan, K. K.               | Japan                  | Digital contents sourcing service                             | 79.5                             | 79.5  |
|   | SK Planet Global PTE. Ltd.           | Singapore              | Digital contents sourcing service                             | 100.0                            | 100.0 |
|   | SKP GLOBAL HOLDINGS PTE. LTD.        | Singapore              | Investment  | 100.0                            | 100.0 |
|   | SKP America LLC.                     | USA                    | Digital contents sourcing service                             | 100.0                            | 100.0 |
|   | shopkick Management Company, Inc.    | USA                    | Investment  | 100.0                            | 100.0 |
|   | shopkick, Inc.                       | USA                    | Reward points-based in-store shopping application development | 100.0                            | 100.0 |
|   | 11street (Thailand) Co., Ltd.        | Thailand               | Electronic commerce   | 100.0                            | 100.0 |
|   | Hello Nature Ltd.                    | Korea                  | Retail of agro-fisheries and livestock                        | 100.0                            | 100.0 |
|   | Subsidiaries owned by IRIVER LIMITED | iriver Enterprise Ltd. | Hong Kong   | Management of Chinese subsidiary | 100.0 |
| iriver Inc.                               |                                      | USA                    | Marketing and sales in North America                          | 100.0                            | 100.0 |
| iriver China Co., Ltd.                    |                                      | China                  | Sale and manufacture of MP3 and 4                             | 100.0                            | 100.0 |
| Dongguan iriver Electronics Co., Ltd.     |                                      | China                  | Sale and manufacture of e-book                                | 100.0                            | 100.0 |
| groovers Japan Co., Ltd.                  |                                      | Japan                  | Digital music contents sourcing and distribution              | 100.0                            | 100.0 |

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|  |   |                |   |       |       |
|--|---|----------------|---|-------|-------|
|  | S.M. LIFE DESIGN COMPANY JAPAN INC.     | Japan          | service<br>Sales of goods in Japan                    | 100.0 | 100.0 |
|  | S.M. Mobile Communications JAPAN Inc.   | Japan          | Digital contents service                              | 100.0 | 100.0 |
|  | groovers Inc.(*3)                       | Korea          | Sales of contents and mastering quality sound album   | 100.0 | 44.2  |
| Subsidiaries owned by SK Telink Co., Ltd.    | NSOK Co., Ltd.                          | Korea          | Security and maintenance services                     | 100.0 | 100.0 |
| Subsidiaries owned by SK techx Co., Ltd.     | K-net Culture and Contents Venture Fund | Korea          | Capital investment in start-ups                       | 59.0  | 59.0  |
| Subsidiaries owned by SK Broadband Co., Ltd. | Home & Service Co., Ltd.                | Korea          | Operation of information and communication facilities | 100.0 | 100.0 |
|  | SK stoa Co., Ltd.                       | Korea          | Television commerce business                          | 100.0 | 100.0 |
| Subsidiary owned by FSK L&S Co., Ltd.        | FSK L&S(Shanghai) Co., Ltd.(*3)         | China          | Transportation services                               | 66.0  |       |
| Others(*4)                                   | SK Telecom Innovation Fund, L.P         | USA            | Investment  | 100.0 | 100.0 |
|  | SK Telecom China Fund I L.P.            | Cayman Islands | Investment  | 100.0 | 100.0 |

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

The list of subsidiaries as of March 31, 2018 and December 31, 2017 is as follows, Continued:

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

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

(\*3) Details of changes in consolidation scope for the three-month period ended March 31, 2018 are presented and explained separately in Note 1-(4).

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

## (3) Condensed financial information of subsidiaries

Condensed financial information of significant subsidiaries as of and for the three-month period ended March 31, 2018 is as follows:

| <i>(In millions of won)</i> | As of March 31, 2018 |                   |              | For the<br>three-month<br>period ended<br>March 31, 2018 |               |
|-----------------------------|----------------------|-------------------|--------------|--|---------------|
|                             | Total assets         | Total liabilities | Total equity | Revenue  | Profit (loss) |
| SK Telink Co., Ltd.         | ₩ 481,473            | 106,048           | 375,425      | 91,523   | 8,100         |
| SK m&service Co.,Ltd.       | 98,083               | 46,753            | 51,330       | 49,031   | 123           |
| SK Communications Co., Ltd. | 88,918               | 28,244            | 60,674       | 11,022   | (5,317)       |
| SK Broadband Co., Ltd.      | 3,906,514            | 2,470,395         | 1,436,119    | 737,102  | 13,235        |

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|   |           |         |         |         |          |
|---|-----------|---------|---------|---------|----------|
| K-net Culture and Contents Venture Fund | 250,828   | 35,980  | 214,848 |         | 1        |
| PS&Marketing Corporation                | 425,671   | 210,420 | 215,251 | 409,879 | (2,697)  |
| SERVICEACE Co., Ltd.                    | 69,111    | 36,784  | 32,327  | 50,338  | 1,941    |
| SERVICE TOP Co., Ltd.                   | 60,239    | 36,927  | 23,312  | 52,138  | 1,488    |
| Network O&S Co., Ltd.                   | 64,973    | 27,564  | 37,409  | 48,900  | (4,182)  |
| SK Planet Co., Ltd.                     | 1,418,817 | 844,262 | 574,555 | 205,028 | (37,655) |
| IRIVER LIMITED(*)                       | 143,511   | 28,780  | 114,731 | 28,894  | 296      |
| SKP America LLC.                        | 410,333   |         | 410,333 |         | (33)     |
| SK techx Co., Ltd.                      | 238,451   | 31,153  | 207,298 | 49,578  | 8,657    |
| One Store Co., Ltd.                     | 113,308   | 52,341  | 60,967  | 26,864  | (4,035)  |
| Home & Service Co., Ltd.                | 88,180    | 42,787  | 45,393  | 75,670  | 44       |
| shopkick Management Company, Inc.       | 341,373   |         | 341,373 |         | (37)     |
| shopkick, Inc.                          | 20,778    | 18,589  | 2,189   | 8,943   | (7,061)  |

(\*) The condensed financial information of IRIVER LIMITED is consolidated financial information including iriver Enterprise Ltd. and seven other subsidiaries of IRIVER LIMITED. Information for the other subsidiaries in the above summary is based on their separate financial statements.



## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity, Continued**

## (3) Condensed financial information of subsidiaries, Continued

Condensed financial information of significant subsidiaries as of and for the year ended December 31, 2017 is as follows:

| <i>(In millions of won)</i>             | As of December 31, 2017 |                   |              | 2017      |               |
|---|-------------------------|-------------------|--------------|-----------|---------------|
|   | Total assets            | Total liabilities | Total equity | Revenue   | Profit (loss) |
| SK Telink Co., Ltd.                     | ₩ 455,685               | 104,727           | 350,958      | 389,944   | 32,728        |
| SK m&service Co., Ltd.                  | 113,515                 | 62,795            | 50,720       | 193,256   | 1,249         |
| SK Communications Co., Ltd.             | 90,923                  | 28,410            | 62,513       | 47,546    | (35,454)      |
| SK Broadband Co., Ltd.                  | 3,802,349               | 2,616,317         | 1,186,032    | 3,050,083 | 32,030        |
| K-net Culture and Contents Venture Fund | 250,747                 | 35,900            | 214,847      |           | 196,250       |
| PS&Marketing Corporation                | 506,883                 | 288,881           | 218,002      | 1,766,142 | 391           |
| SERVICEACE Co., Ltd.                    | 77,681                  | 45,501            | 32,180       | 197,408   | 2,599         |
| SERVICE TOP Co., Ltd.                   | 65,406                  | 41,860            | 23,546       | 186,117   | 3,309         |
| Network O&S Co., Ltd.                   | 87,000                  | 45,248            | 41,752       | 255,841   | 6,283         |
| SK Planet Co., Ltd.                     | 1,534,866               | 920,677           | 614,189      | 1,082,685 | (513,667)     |
| IRIVER LIMITED(*)                       | 130,878                 | 17,204            | 113,674      | 69,452    | (14,092)      |
| SKP America LLC.                        | 412,251                 |                   | 412,251      |           | (57)          |
| SK techx Co., Ltd.                      | 237,700                 | 41,561            | 196,139      | 195,948   | 26,827        |
| One Store Co., Ltd.                     | 104,891                 | 39,874            | 65,017       | 115,596   | (27,254)      |
| Home & Service Co., Ltd.                | 83,698                  | 38,350            | 45,348       | 141,739   | 11            |
| shopkick Management Company, Inc.       | 338,650                 |                   | 338,650      |           | (238)         |
| shopkick, Inc.                          | 37,336                  | 32,219            | 5,117        | 48,836    | (25,249)      |

(\*) The condensed financial information of IRIVER LIMITED is consolidated financial information including iriver Enterprise Ltd. and six other subsidiaries of IRIVER LIMITED. Information for the other subsidiaries in the above summary is based on their separate financial statements.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity, Continued**

## (4) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation during the three-month period ended March 31, 2018 is as follows:

| <b>Subsidiary</b>           | <b>Reason</b>   |
|-----------------------------|---|
| FSK L&S Co., Ltd.           | Acquired by the Parent Company                            |
| FSK L&S(Shanghai) Co., Ltd. | Acquired by the Parent Company                            |
| SK Telecom Japan Inc.       | Established by the Parent Company                         |
| groovers Inc.               | Acquired additional ownership interests by IRIVER LIMITED |

- (5) The financial information of significant non-controlling interests of the Group as of and for the three-month period ended March 31, 2018, and as of and for the year ended December 31, 2017 are as follows. There were no dividends paid during the three-month period ended March 31, 2018 and the year ended December 31, 2017 by subsidiaries of which non-controlling interests are significant.

| <i>(In millions of won)</i>                  | <b>K-net Culture<br/>and<br/>Contents<br/>Venture Fund</b> | <b>IRIVER<br/>LIMITED</b> | <b>One Store<br/>Co., Ltd.</b> |
|--|--|---------------------------|--------------------------------|
| Ownership of non-controlling interests (%)   | 41.00  | 54.12                     | 34.46                          |
|  | <b>As of March 31, 2018</b>                                |                           |                                |
| Current assets                               | ₩ 706  | 68,708                    | 87,217                         |
| Non-current assets                           | 250,122  | 74,803                    | 26,091                         |
| Current liabilities                          | (35,980)   | (20,710)                  | (50,785)                       |
| Non-current liabilities                      |  | (8,070)                   | (1,556)                        |
| Net assets                                   | 214,848  | 114,731                   | 60,967                         |
| Carrying amount of non-controlling interests | 88,088   | 63,784                    | 21,009                         |
|  | <b>For the three-month period ended<br/>March 31, 2018</b> |                           |                                |
| Revenue                                      | ₩  | 28,894                    | 26,864                         |
| Gain (loss) for the period                   | 1  | 296                       | (4,035)                        |
| Total comprehensive loss                     | 1  | 1,057                     | (4,051)                        |

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|   |   |      |       |         |
|---|---|------|-------|---------|
| Gain (loss) attributable to non-controlling interests |   |      | 160   | (1,390) |
| Net cash provided by (used in) operating activities   | ₩ | 3    | 1,147 | (2,193) |
| Net cash provided by (used in) investing activities   |   | (20) | 1,764 | (2,688) |
| Net cash provided by financing activities             |   |      | 46    |         |
| Net increase (decrease) in cash and cash equivalents  |   | (17) | 2,957 | (4,881) |

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**1. Reporting Entity, Continued**

- (5) The financial information of significant non-controlling interests of the Group as of and for the three-month period ended March 31, 2018, and as of and for the year ended December 31, 2017 are as follows. There were no dividends paid during the three-month period ended March 31, 2018 and the year ended December 31, 2017 by subsidiaries of which non-controlling interests are significant, Continued.

| <i>(In millions of won)</i>                             | <b>K-net Culture<br/>and<br/>Contents<br/>Venture Fund</b> | <b>IRIVER<br/>LIMITED</b> | <b>One Store Co., Ltd.</b> |
|---|--|---------------------------|----------------------------|
| Ownership of non-controlling interests (%)              | 41.00  | 54.10                     | 34.46                      |
|   | <b>As of December 31, 2017</b>                             |                           |                            |
| Current assets  | ₩ 625  | 74,873                    | 76,810                     |
| Non-current assets                                      | 250,122  | 56,005                    | 28,081                     |
| Current liabilities                                     | (35,900)   | (9,563)                   | (38,547)                   |
| Non-current liabilities                                 |  | (7,641)                   | (1,327)                    |
| Net assets  | 214,847  | 113,674                   | 65,017                     |
| Carrying amount of non-controlling interests            | 88,087   | 63,382                    | 22,405                     |
|   | <b>2017</b>  |                           |                            |
| Revenue   | ₩  | 69,452                    | 115,596                    |
| Profit (loss) for the year                              | 196,250  | (14,092)                  | (27,254)                   |
| Total comprehensive profit (loss)                       | 201,693  | (14,278)                  | (27,452)                   |
| Profit (loss) attributable to non-controlling interests | 80,463   | (7,438)                   | (9,392)                    |
| Net cash provided by (used in) operating activities     | ₩ (7)  | (7,553)                   | 13,912                     |
| Net cash used in investing activities                   | (600)  | (45,002)                  | (2,000)                    |
| Net cash provided by (used in) financing activities     |  | 64,571                    | (7)                        |
| Net increase (decrease) in cash and cash equivalents    | (607)  | 12,016                    | 11,905                     |

**2. Basis of Preparation**

- (1) Statement of compliance

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

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since December 31, 2017. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

## 2. Basis of Preparation, Continued

### (2) Use of estimates and judgments

#### 1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2017 except significant judgments and key sources of estimation uncertainty related to the K-IFRS 1115 and 1109 that are described in Note 3.

#### 2) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Information about assumptions used for fair value measurements are included in Note 28.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies

The significant accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2017, except for the following changes in accounting policies described below. The following changes in accounting policies are also expected to be reflected in the Group consolidated financial statements as at and for the year ending December 31, 2018.

#### (1) Changes in accounting policies

The Group has initially adopted K-IFRS No. 1115, *Revenue from Contracts with Customers* and K-IFRS No. 1109, *Financial Instruments* from January 1, 2018. A number of other amended standards are effective from January 1, 2018 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

##### 1) K-IFRS No. 1115, *Revenue from Contracts with Customers*

K-IFRS No. 1115, *Revenue from contracts with customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. K-IFRS No. 1115 replaced the revenue recognition guidance, including K-IFRS No. 1018 *Revenue*, K-IFRS No. 1011, *Construction Contracts*, K-IFRS No. 2031, *Revenue: Barter Transactions Involving Advertising Services*, K-IFRS No. 2113, *Customer Loyalty Programs*, K-IFRS No. 2115, *Agreements for the Construction of Real Estate* and K-IFRS No. 2118, *Transfers of Assets from Customers*.

The Group has adopted K-IFRS No. 1115, *Revenue from contracts with customers*, from January 1, 2018 using the cumulative effect method with the effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at January 1, 2018. The Group applied K-IFRS No. 1115 retrospectively only to contracts that are not completed contracts at the date of initial application, which is January 1, 2018 using the practical expedient permitted by K-IFRS No.1115.

##### i) Identification of performance obligations in the contract

A substantial portion of the Group's revenue is generated from providing wireless telecommunications services. K-IFRS No. 1115 requires the Group to evaluate goods or services promised to customers to determine if there are performance obligations other than wireless telecommunications service that should be accounted for separately. In the case that the Group provides the wireless telecommunications service and sells a handset together to one customer, the Group allocates considerations from the customer between handset sale revenue and wireless telecommunications service revenue. The handset sales revenue is recognized when handset is delivered and the wireless telecommunications service revenue is recognized as revenue over the period of the contract term as stated in the subscription contract.





SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

#### (1) Changes in accounting policies, Continued

##### 1) K-IFRS No. 1115, *Revenue from Contracts with Customers*, Continued

###### ii) Allocate the transaction price to the separate performance obligations

In accordance with K-IFRS No. 1115, the Group allocates the transaction price to each performance obligation in a contract in proportion to their stand-alone selling price when the Group provides the wireless telecommunications service and sells a handset together to one customer. The Group used adjusted market assessment method for estimating the stand-alone selling price. However, in some circumstances, the Group used expected cost plus a margin approach.

As a result of applying K-IFRS No. 1115, the Group recognized contract assets of ₩142,596 million which is the additional transaction price allocated to revenue from sales of handset as at January 1, 2018.

###### iii) Incremental costs to acquire a contract

The Group pays commissions to its direct retail stores and authorized dealers in connection with acquiring service contracts. The commissions paid to these agents historically constituted a significant portion of the Group's operating expenses. These commissions would not have been paid if there have been no binding contracts with subscribers. K-IFRS No. 1115 requires the Group to capitalize certain costs associated with commissions paid to sales agents to obtain new customer contracts and amortize them over the expected contract periods with customers. As a result of applying K-IFRS No. 1115, the Group recognized ₩2,389,097 million of prepaid expenses as at January 1, 2018.

###### iv) Contract liability

Upon adoption of K-IFRS No. 1115, the Group reclassified the receipts in advance and unearned revenue amounting to ₩109,555 million that are related to prepaid rate plans and customer loyalty program, respectively, to contract liabilities as at January 1, 2018.

###### v) Impact of adopting K-IFRS No. 1115 on the condensed consolidated interim financial statements

If K-IFRS No. 1018 were applied on the Group's condensed consolidated statements of financial position as of March 31, 2018, prepaid expenses, long-term prepaid expenses, contract assets and long-term contract assets would be

decreased by ₩1,641,693 million, ₩732,493 million, ₩98,524 million, ₩26,638 million, respectively, while accounts receivable - trade would be increased by ₩4,270 million. As a result, total assets would be decreased by ₩2,495,078 million. In addition,, total liabilities would be decreased by ₩606,095 million, with decrease of contract liabilities, long-term contract liabilities and deferred tax liabilities by ₩117,932 million, ₩18,401 million and ₩583,678 million , respectively, while other liabilities such as receipts in advance and unearned revenues would be increased by ₩113,916 million. In relation to these changes in assets and liabilities, retained earnings would be decreased by ₩1,888,983 million.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

#### (1) Changes in accounting policies, Continued

##### 1) K-IFRS No. 1115, *Revenue from Contracts with Customers*, Continued

##### v) Impact of adopting K-IFRS No. 1115 on the condensed consolidated interim financial statements, Continued

If K-IFRS No. 1018 were applied on the Group's condensed consolidated statements of income for the three-month period ended March 31, 2018, revenue and advertising expense would be increased by ₩39,114 million and ₩13,888 million, respectively, while commissions expense would be decreased by ₩9,528 million. Operating profit and profit before income tax would be increased by ₩34,008 million with an increase in operating expenses by ₩5,106 million. As a result, profit for the period would be increased by ₩23,228 million with an increase in income tax expense of ₩10,780 million.

When compared to K-IFRS No. 1018, the adoption of K-IFRS No. 1115 did not have material impact on the Group's condensed consolidated statement of cash flows for the three-month period ended March 31, 2018.

##### 2) K-IFRS No. 1109, *Financial Instruments*

K-IFRS No. 1109 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standards replaces K-IFRS No. 1039 *Financial Instruments: Recognition and Measurement*. The Group adopted K-IFRS No. 1109, *Financial Instruments*, from January 1, 2018, and the Group has taken an exemption not to restate the financial statements for prior years in accordance with the transition requirements.

The following table explains the impact of transition to K-IFRS No. 1109 on the opening balance of reserves and retained earnings as at January 1, 2018.

| <i>(In millions of won)</i>   | <b>Reserves</b> | <b>Retained earnings</b> |
|---|-----------------|--------------------------|
| Reclassification of available-for-sale financial assets to financial assets at fair value through profit or loss( FVTPL ) | ₩ (5,336)       | 947                      |
| Reclassification of available-for-sale financial assets to financial assets measured at fair value                        | (84,881)        | 90,322                   |

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|   |            |          |
|---|------------|----------|
| through other comprehensive income ( FVOCI )                              |            |          |
| Recognition of loss allowances on accounts<br>receivable trade and others |            | (13,049) |
| Related tax   | 21,413     | (18,194) |
|   | ₩ (68,804) | 60,026   |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, Financial Instruments, Continued

i) Classification of financial assets and financial liabilities

K-IFRS No. 1109 largely retains the existing requirements in K-IFRS No. 1039 for the classification and measurement of financial liabilities. However, it eliminates the previous K-IFRS No. 1039 categories for financial assets of held to maturity, available for sale, loans, and receivables.

Under K-IFRS No. 1109, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under K-IFRS No. 1109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. If a contract contains embedded derivatives and the host is an asset within the scope of K-IFRS No. 1109, then such embedded derivatives are not separated.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flow; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is an account receivable - trade without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities, Continued

The following accounting policies apply to the subsequent measurement of financial assets.

|                                    |  |
|------------------------------------|--|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.   |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.                             |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.   |



SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities, Continued

The following table explains the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Group's financial assets as at January 1, 2018.

| <i>(In millions of won)</i>          | Original<br>classification<br>under K-IFRS No.<br>1039 | New<br>classification<br>under K-IFRS<br>No.<br>1109 | Original carrying<br>amount under<br>K-IFRS No.<br>1039 | New carrying<br>amount<br>under<br>K-IFRS No. 1109 | Difference |
|--------------------------------------|--|--|---|--|------------|
| <b>Short-term financial assets:</b>  |  |  |   |  |            |
| Cash and cash equivalents            | Amortized cost   | Amortized cost                                       | ₩ 1,457,735   | 1,457,735  |            |
| Short-term financial instruments     | Amortized cost   | Amortized cost                                       | 616,780   | 616,780  |            |
| Short-term investment securities(*1) | Available-for-sale                                     | FVTPL  | 47,383  | 47,383   |            |
| Short-term investment securities     | Designated as at FVTPL                                 | FVTPL  | 97,003  | 97,003   |            |
| Accounts receivable - trade          | Amortized cost   | Amortized cost                                       | 2,126,007   | 2,113,057  | (12,950)   |
| Short-term loans                     | Amortized cost   | Amortized cost                                       | 62,830  | 62,830   |            |
| Accounts receivable - other(*3)      | Amortized cost   | FVTPL  | 830,321   | 830,321  |            |
| Accounts receivable - other          | Amortized cost   | Amortized cost                                       | 430,514   | 430,415  | (99)       |
| Accrued revenue                      | Amortized cost   | Amortized cost                                       | 3,979   | 3,979  |            |
| Guarantee deposits                   | Amortized cost   | Amortized cost                                       | 3,927   | 3,927  |            |
|                                      |  |  | 5,676,479   | 5,663,430  | (13,049)   |
| <b>Long-term financial assets:</b>   |  |  |   |  |            |
| Long-term financial instruments      | Amortized cost   | Amortized cost                                       | 1,222   | 1,222  |            |
|                                      | Available-for-sale                                     | FVTPL  | 173,394   | 169,005  | (4,389)    |

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|   |                                |                                |             |           |           |
|---|--------------------------------|--------------------------------|-------------|-----------|-----------|
| Long-term investment securities(*1)       |                                |                                |             |           |           |
| Long-term investment securities(*2)       | Available-for-sale             | FVOCI                          | 713,613     | 719,054   | 5,441     |
| Long-term accounts receivable - trade     | Amortized cost                 | Amortized cost                 | 12,748      | 12,748    |           |
| Long-term loans                           | Amortized cost                 | Amortized cost                 | 50,874      | 50,874    |           |
| Long-term accounts receivable - other(*3) | Amortized cost                 | FVTPL                          | 243,742     | 243,742   |           |
| Long-term accounts receivable - other     | Amortized cost                 | Amortized cost                 | 43,306      | 43,306    |           |
| Guarantee deposits                        | Amortized cost                 | Amortized cost                 | 292,590     | 292,590   |           |
| Derivative financial assets               | Derivatives hedging instrument | Derivatives hedging instrument | 21,902      | 21,902    |           |
| Derivative financial assets(*1)           | Designated as at FVTPL         | FVTPL                          | 231,311     | 9,054     | (222,257) |
| Long-term investment securities           | Designated as at FVTPL         | FVTPL                          |             | 222,257   | 222,257   |
|   |                                |                                | 1,784,702   | 1,785,754 | 1,052     |
|   |                                |                                | ₩ 7,461,181 | 7,449,184 | (11,997)  |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

i) Classification of financial assets and financial liabilities, Continued

The following table explains the original measurement categories under K-IFRS No. 1039 and the changes in measurement categories under K-IFRS No. 1109 for each class of the Group's financial assets as at January 1 2018, Continued.

(\*1) As of January 1, 2018, available-for-sale financial assets such as beneficiary certificates and equity investments amounting to ₩205,435 million were reclassified to financial assets measured at FVTPL. In addition, as derivatives embedded in contracts where the host is a financial asset in the scope of K-IFRS No. 1109 are never separated, the available-for sale financial assets related to the redeemable convertible preferred shares of ₩15,342 million and derivative financial assets of ₩222,257 million were reclassified to financial assets measured at FVTPL. As the contractual terms of these assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, these assets were not designated as financial assets measured at amortized cost. As a result of this reclassification, as at January 1, 2018, accumulated OCI of ₩5,336 million was reclassified to retained earnings and, due to its new classification to financial assets measured at FVTPL, retained earnings was decreased by ₩4,389 million. In addition, change in the fair value of these financial assets of ₩8,112 million was recognized in profit before income tax during the three-month period ended March 31, 2018.

(\*2) As of January 1, 2018, available-for-sale financial assets amounting to ₩713,613 million including marketable equity instruments were reclassified to equity investments at FVOCI and debt instrument at FVOCI of ₩713,399 million and ₩214 million, respectively. As a result of this reclassification, as at January 1, 2018, retained earnings of ₩(-)90,322 million was reclassified to accumulated OCI and accumulated OCI was increased by ₩5,441 million due to the fair value measurement of financial assets which were stated at cost under K-IFRS No. 1039. The Group designated equity instruments that are not held for trading as FVOCI on initial application of K-IFRS No. 1109 with no recycling of amounts from OCI to profit and loss.

(\*3)

As of January 1, 2018, loans and receivables of ₩1,074,063 million, including of accounts receivable - other, were reclassified from loans and receivables to debt instruments at FVTPL. Upon the initial application of K-IFRS No. 1109, the Group reclassified the debt instruments to financial instruments at FVTPL whose objectives of the business model are not achieved both by collecting contractual cash flows or selling financial assets. There was no material impact on retained earnings as at January 1, 2018 as the fair values of these debt instruments were not significantly different from the carrying amounts as of December 31, 2017.

ii) Impairment of financial assets

K-IFRS No. 1109 sets out a new expected credit loss (ECL) impairment model which replaces the incurred loss model under K-IFRS No. 1039 for recognizing and measuring impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under K-IFRS No. 1109, credit losses are recognized earlier than under K-IFRS No. 1039.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

### 3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

2) K-IFRS No. 1109, *Financial Instruments*, Continued

ii) Impairment of financial assets, Continued

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

As a result of applying K-IFRS No. 1109, as of January 1, 2018, the Group recognized the ₩13,049 million of impairment loss on debt instruments at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

iii) Hedge accounting

When initially applying K-IFRS No. 1109, the Group elected as its accounting policy to apply hedge accounting requirements under K-IFRS No. 1109. The Group designates derivatives such as currency swaps as hedging instruments to hedge the risk of variability in cash flows associated with the foreign currency debentures and borrowings. As the Group's hedging instruments as of January 1, 2018 satisfy the hedge requirements of retrospective testing (80~125%) under K-IFRS No. 1039, there is no material effect of applying K-IFRS No. 1109.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

## (1) Changes in accounting policies, Continued

- 3) The following table explains the impacts of adopting K-IFRS 1115 and 1109 on the Group's statements of financial position as of January 1, 2018.

| <i>(In millions of won)</i>      | December 31, |             | January 1,  |            |
|----------------------------------|--------------|-------------|-------------|------------|
|                                  | 2017         | Adjustments |             | 2018       |
|                                  | As reported  | K-IFRS 1115 | K-IFRS 1109 | Restated   |
| <b>Current Assets</b>            | 6,201,799    | 1,804,080   | (13,049)    | 7,992,830  |
| Accounts receivable - trade, net | 2,126,007    | (4,314)     | (12,950)    | 2,108,743  |
| Accounts receivable - other, net | 1,260,835    |             | (99)        | 1,260,736  |
| Prepaid expenses                 | 197,046      | 1,695,704   |             | 1,892,750  |
| Contract assets                  |              | 112,690     |             | 112,690    |
| Others                           | 2,617,911    |             |             | 2,617,911  |
| <b>Non-Current Assets</b>        | 27,226,870   | 718,898     | 1,052       | 27,946,820 |
| Long-term investment securities  | 887,007      |             | 223,309     | 1,110,316  |
| Long-term prepaid expenses       | 90,834       | 693,393     |             | 784,227    |
| Long-term contract assets        |              | 30,363      |             | 30,363     |
| Deferred tax assets              | 88,132       | (4,858)     |             | 83,274     |
| Others                           | 26,160,897   |             | (222,257)   | 25,938,640 |
| <b>Total Assets</b>              | 33,428,669   | 2,522,978   | (11,997)    | 35,939,650 |
| <b>Current Liabilities</b>       | 7,109,123    | 12,485      |             | 7,121,608  |
| Provisions                       | 52,057       | (215)       |             | 51,842     |
| Contract liabilities             |              | 114,284     |             | 114,284    |
| Receipts in advance              | 161,266      | (161,266)   |             |            |
| Unearned revenue                 | 175,732      | (175,732)   |             |            |
| Withholdings                     | 961,501      | 235,414     |             | 1,196,915  |
| Others                           | 5,758,567    |             |             | 5,758,567  |
| <b>Non-Current Liabilities</b>   | 8,290,351    | 610,444     | (3,219)     | 8,897,576  |
| Long-term contract liabilities   |              | 19,100      |             | 19,100     |
| Long-term unearned revenue       | 7,052        | (7,052)     |             |            |
| Other non-current liabilities    | 44,094       | (919)       |             | 43,175     |
| Deferred tax liabilities         | 978,693      | 599,315     | (3,219)     | 1,574,789  |

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|  |                   |                  |                 |                   |
|--|-------------------|------------------|-----------------|-------------------|
| Others   | 7,260,512         |                  |                 | 7,260,512         |
| <b>Total Liabilities</b>                         | <b>15,399,474</b> | <b>622,929</b>   | <b>(3,219)</b>  | <b>16,019,184</b> |
| Share capital                                    | 44,639            |                  |                 | 44,639            |
| Capital surplus and others                       | 196,281           |                  |                 | 196,281           |
| Retained earnings                                | 17,835,946        | 1,900,049        | 60,026          | 19,796,021        |
| Reserves   | (234,727)         |                  | (68,804)        | (303,531)         |
| Non-controlling interests                        | 187,056           |                  |                 | 187,056           |
| <b>Total Shareholders Equity</b>                 | <b>18,029,195</b> | <b>1,900,049</b> | <b>(8,778)</b>  | <b>19,920,466</b> |
| <b>Total Liabilities and Shareholders Equity</b> | <b>33,428,669</b> | <b>2,522,978</b> | <b>(11,997)</b> | <b>35,939,650</b> |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**3. Significant Accounting Policies, Continued**

## (2) Standards issued but not yet effective

The following new standard is effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted the following new standard in preparing the accompanying condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2018.

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

The Group currently plans to apply K-IFRS No.1116 in the period beginning on January 1, 2019 and to assess the financial impact on its consolidated financial statements resulting from the adoption of K-IFRS No. 1116 by December 31, 2018. The assessment results will be disclosed in its annual financial statements for the year ending December 31, 2018. As of March 31, 2018, there have been no significant changes related to the financial impact assessment of adopting K-IFRS No. 1116 which was disclosed in the Group's consolidated financial statements as of and for the year ended December 31, 2017.

**4. Operating Segments**

The Group's operating segments have been identified to be each business unit, by which the Group provides independent services and goods. The Group's reportable segments are cellular, which provides wireless voice and data transmission services, sales of wireless devices, IoT solutions and platform services; fixed-line telecommunication, which provides fixed-line telephone services, broadband Internet services, advanced media platform services (including IPTV) and business communications services; e-commerce, which runs open marketplace platform, 11st, and other commerce solutions; and other businesses, which include online portal service, hardware business and other operations that do not meet the quantitative thresholds to be separately considered reportable segments.

(1) Segment information for the three-month period ended March 31, 2018 is as follows:

| (In millions of won)  | For the three-month period ended March 31, 2018 |                              |            |         |           |             |           |
|-----------------------|---|------------------------------|------------|---------|-----------|-------------|-----------|
|                       | Cellular  | Fixed-line telecommunication | E-commerce | Others  | Sub-total | Adjustments | Total     |
| Total revenue         | ₩ 3,549,792                                     | 922,330                      | 205,028    | 206,169 | 4,883,319 | (701,782)   | 4,181,537 |
| Inter-segment revenue | 387,766   | 230,658                      | 9,061      | 74,297  | 701,782   | (701,782)   |           |
| External revenue      | 3,162,026                                       | 691,672                      | 195,967    | 131,872 | 4,181,537 |             | 4,181,537 |
|                       | 605,311   | 155,689                      | 10,644     | 14,335  | 785,979   |             | 785,979   |



Depreciation and  
amortization

|  |         |        |          |          |         |          |
|--|---------|--------|----------|----------|---------|----------|
| Operating profit (loss)  | 345,673 | 38,785 | (44,532) | (14,450) | 325,476 | 325,476  |
| Finance income and costs, net  |         |        |          |          |         | (35,082) |
| Gain relating to investments in subsidiaries, associates and joint ventures, net |         |        |          |          |         | 626,643  |
| Other non-operating income and expense, net                                      |         |        |          |          |         | (10,047) |
| Profit before income tax   |         |        |          |          |         | 906,990  |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**4. Operating Segments, Continued**

(1) Segment information for the three-month period ended March 31, 2017 is as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended March 31, 2017</b> |   |                   |               |                  |                    |              |
|--|--|---|-------------------|---------------|------------------|--------------------|--------------|
|  | <b>Cellular</b>  | <b>Fixed-line<br/>telecommu-<br/>nication</b> | <b>E-commerce</b> | <b>Others</b> | <b>Sub-total</b> | <b>Adjustments</b> | <b>Total</b> |
| Total revenue  | ₩ 3,621,063  | 822,248                                       | 254,667           | 180,598       | 4,878,576        | (644,211)          | 4,234,365    |
| Inter-segment revenue  | 394,921  | 164,778                                       | 11,667            | 72,845        | 644,211          | (644,211)          |              |
| External revenue   | 3,226,142  | 657,470                                       | 243,000           | 107,753       | 4,234,365        |                    | 4,234,365    |
| Depreciation and<br>amortization   | 590,157  | 143,263                                       | 13,812            | 14,484        | 761,716          |                    | 761,716      |
| Operating profit (loss)  | 445,633  | 34,436  | (49,971)          | (19,596)      | 410,502          |                    | 410,502      |
| Finance income and costs, net  |  |   |                   |               |                  |                    | (38,773)     |
| Gain relating to investments in subsidiaries, associates and joint ventures, net |  |   |                   |               |                  |                    | 379,961      |
| Other non-operating income and expense, net                                      |  |   |                   |               |                  |                    | (27,470)     |
| Profit before income tax   |  |   |                   |               |                  |                    | 724,220      |

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

No single customer contributed 10% or more to the Group's total revenue for the three-month periods ended March 31, 2018 and 2017.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**4. Operating Segments, Continued**

- (2) Disaggregated operating revenues according to timing and uncertainty of the Group's revenue and future cash flows are as follows:

**(In millions of won)**

|  |                          | <b>March 31,<br/>2018</b> | <b>March 31,<br/>2017</b> |
|--|--------------------------|---------------------------|---------------------------|
| <b>Goods transferred at a point in time:</b> |                          |                           |                           |
| Cellular services revenue                    | Goods (*1)               | ₩ 309,516                 | 250,846                   |
| <b>Fixed-line telecommunication</b>          |                          |                           |                           |
| services revenue                             | Goods                    | 16,987                    | 24,634                    |
| Other revenue                                | Goods                    | 24,530                    | 15,150                    |
| Goods  |                          | 6,229                     | 5,773                     |
|  |                          | 357,262                   | 296,403                   |
| <b>Services transferred over time:</b>       |                          |                           |                           |
| Cellular services revenue                    | Wireless service(*2)     | 2,506,681                 | 2,627,497                 |
|  | Cellular interconnection | 141,564                   | 167,258                   |
|  | Miscellaneous(*3)        | 204,265                   | 180,541                   |
| <b>Fixed-line telecommunication services</b> |                          |                           |                           |
| revenue                                      | Wireless service         | 73,841                    | 79,474                    |
|  | Cellular interconnection | 27,479                    | 30,383                    |
|  | Internet Protocol        |                           |                           |
|  | Television*4)            | 266,040                   | 235,727                   |
|  | International calls      | 20,374                    | 22,152                    |
|  | Miscellaneous(*5)        | 286,951                   | 265,100                   |
| E-commerce services revenue                  | E-commerce service       | 195,967                   | 243,000                   |
| Other revenue                                | Miscellaneous(*6)        | 101,113                   | 86,830                    |
|  |                          | 3,824,275                 | 3,937,962                 |
|  |                          | ₩ 4,181,537               | 4,234,365                 |

(\*1) Revenue from considerations received from sale of handsets is included.

(\*2)

Considerations received from subscribers in connection with wireless voice and data transmission services is included.

(\*3) Revenue from IoT solutions as well as other miscellaneous cellular services is included.

(\*4) Revenue from IPTV related services is included.

(\*5) Revenue from broadband internet service is included.

(\*6) Revenue from considerations received for the development and maintenance of system software, and digital contents platform services is included.



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|  |            |           |           |
|--|------------|-----------|-----------|
| Long-term accounts receivable - other(*) | 287,048    |           | 287,048   |
| Guarantee deposits                       | 292,590    |           | 292,590   |
| Long-term accounts receivable - trade    | 12,933     | (185)     | 12,748    |
|  | 690,206    | (46,946)  | 643,260   |
|  | ₩4,463,009 | (362,171) | 4,100,838 |

(\*) Gross and carrying amounts of accounts receivable - other as of March 31, 2018 include ₩1,014,124 million of financial instruments classified as FVTPL.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (2) Changes in the loss allowance on trade and other receivables measured at amortized costs during the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>January 1,<br/>2018</b> | <b>Impact of<br/>adopting<br/>K-IFRS No. 1109</b> | <b>Impair-<br/>ment</b> | <b>Write-<br/>offs</b> | <b>Collection of<br/>receivables<br/>previously<br/>written-off</b> | <b>March 31,<br/>2018</b> |
|-----------------------------|----------------------------|---|-------------------------|------------------------|---|---------------------------|
| Accounts receivable - trade | ₩ 239,448                  | 12,950  | 9,820                   | (4,054)                | 3,664   | 261,828                   |
| Accounts receivable - other | 122,723                    | 99  | 3,714                   | (6,235)                | 832   | 121,133                   |
|                             | <b>₩ 362,171</b>           | <b>13,049</b>                                     | <b>13,534</b>           | <b>(10,289)</b>        | <b>4,496</b>  | <b>382,961</b>            |

| <i>(In millions of won)</i> | <b>January 1,<br/>2017</b> | <b>Impairment</b> | <b>Write-offs</b> | <b>Collection of<br/>receivables<br/>previously<br/>written-off</b> | <b>March 31,<br/>2017</b> |
|-----------------------------|----------------------------|-------------------|-------------------|---|---------------------------|
| Accounts receivable - trade | ₩ 241,828                  | 6,511             | (4,528)           | 4,376   | 248,187                   |
| Accounts receivable - other | 127,504                    | 2,706             | (5,494)           | 5,621   | 130,337                   |
|                             | <b>₩ 369,332</b>           | <b>9,217</b>      | <b>(10,022)</b>   | <b>9,997</b>  | <b>378,524</b>            |

- (\*) The Group writes off the trade and other receivables when contractual payments are more than 5 years past due, or for reasons such as the counterparty's shut-down or liquidation.

- (3) The Group applies the simplified approach that allows the Group to estimate the loss allowance for accounts receivables - trade at an amount equal to the lifetime expected credit losses. Assessing expected credit losses under K-IFRS 1109 incorporate the analysis of forward-looking information. To make that assessment, the Group used its historical credit loss experience and classified the accounts receivable - trade by their credit risk characteristics and days overdue.

As the Group is the wireless telecommunication services provider, the Group's financial assets measured at amortized cost consist primarily of receivables from numerous individual customers and, accordingly, no significant credit concentration risk arises.





SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**6. Prepaid expenses**

As discussed in Note 3, the Group adopted K-IFRS No. 1115 *Revenue from Contracts with Customers* for the year beginning on January 1, 2018.

(1) Details of prepaid expenses as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>               | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| <b>Current assets:</b>                    |                       |                          |
| Incremental costs of obtaining a contract | ₩ 1,641,694           |                          |
| Others                                    | 209,070               | 197,046                  |
|   | 1,850,764             | 197,046                  |
| <b>Non-current assets:</b>                |                       |                          |
| Incremental costs of obtaining a contract | 732,493               |                          |
| Others                                    | 91,432                | 90,834                   |
|   | 823,925               | 90,834                   |
|   | ₩ 2,674,689           | 287,880                  |

(2) Incremental costs of obtaining a contract

Incremental costs of obtaining a contract that are capitalized as of March 31, 2018 and the related amortization recognized as commissions during the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won)</i>               | <b>March 31, 2018</b> |
|---|-----------------------|
| Incremental costs of obtaining a contract | ₩ 2,374,187           |
| Commissions                               | 580,650               |

The Group pays commissions to its direct retail stores and authorized dealers for wireless telecommunications services for each service contract newly obtained or renewed. The Group capitalized certain costs associated with commissions paid to sales agents to obtain new customer contracts as prepaid expenses, which the Group previously expensed. These prepaid expenses are amortized over the period that the Group expects to maintain its customers.



SK TELECOM CO., LTD. and Subsidiaries

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**7. Contract assets and liabilities**

As discussed in Note 3, the Group adopted K-IFRS No. 1115 *Revenue from Contracts with Customers* for the year beginning on January 1, 2018.

Details of contract assets and liabilities as of March 31, 2018 and January 1, 2018 are as follows:

| <i>(In millions of won)</i>                         | <b>March 31, 2018</b> | <b>January 1, 2018</b> |
|---|-----------------------|------------------------|
| Contract assets                                     | ₩ 125,162             | 143,053                |
| Contract liabilities - wireless service contracts   | 16,579                | 16,624                 |
| Contract liabilities - customer loyalty programs    | 10,555                | 10,739                 |
| Contract liabilities - fixed-line service contracts | 49,701                | 47,125                 |
| Contract liabilities - commerce service             | 6,286                 | 6,779                  |
| Contract liabilities - others                       | 53,212                | 52,117                 |
|   | ₩ 136,333             | 133,384                |

**8. Inventories**

Details of inventories as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31, 2018</b>   |                   |                        | <b>December 31, 2017</b> |                   |                        |
|-----------------------------|-------------------------|-------------------|------------------------|--------------------------|-------------------|------------------------|
|                             | <b>Acquisition cost</b> | <b>Write-down</b> | <b>Carrying amount</b> | <b>Acquisition cost</b>  | <b>Write-down</b> | <b>Carrying amount</b> |
| Merchandise                 | ₩ 240,536               | (6,664)           | 233,872                | 251,463                  | (7,488)           | 243,975                |
| Finished goods              | 1,201                   | (381)             | 820                    | 1,889                    | (557)             | 1,332                  |
| Work in process             | 2,350                   | (956)             | 1,394                  | 1,906                    | (956)             | 950                    |
| Raw materials and supplies  | 21,647                  | (3,250)           | 18,397                 | 29,395                   | (3,249)           | 26,146                 |
|                             | ₩ 265,734               | (11,251)          | 254,483                | 284,653                  | (12,250)          | 272,403                |

**9. Investment Securities**

(1) Details of short-term investment securities as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>Category</b>                     | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|-------------------------------------|-----------------------|--------------------------|
| Beneficiary certificates    | Available-for-sale financial assets | ₩                     | 144,386                  |
|                             | FVTPL                               | 77,407                |                          |
|                             |                                     | ₩ 77,407              | 144,386                  |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**9. Investment Securities, Continued**

(2) Details of long-term investment securities as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>Category</b>                     | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|-------------------------------------|-----------------------|--------------------------|
| Equity instruments          | Available-for-sale financial assets | ₩ 698,057             | 867,079                  |
|                             | FVOCI(*)                            | 698,057               | 867,079                  |
| Debt instruments            | Available-for-sale financial assets | 1,063                 | 19,928                   |
|                             | FVOCI                               | 397,536               |                          |
|                             | FVTPL                               | 398,599               | 19,928                   |
|                             |                                     | ₩ 1,096,656           | 887,007                  |

(\*) Upon adoption of K-IFRS 1109, the Group designated ₩698,057 million of equity instruments that are not held for trading as financial assets at FVOCI.

**10. Business Combinations under Common Control**

During the three-month period ended March 31, 2018, the Parent Company acquired 2,415,750 common shares of FSK L&S Co., Ltd. in exchange for ₩18,047 million in cash from SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company. As this transaction is a business combination under common control, the difference between the consideration paid and carrying amount of net assets recorded in the financial statements of SK Holdings Co., Ltd., which amounted to ₩240 million, was recognized as increase to capital surplus and others.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures**

- (1) Investments in associates and joint ventures accounted for using the equity method as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                     | Country        | March 31, 2018 |                 | December 31, 2017 |                 |
|---|----------------|----------------|-----------------|-------------------|-----------------|
|   |                | Ownership (%)  | Carrying amount | Ownership (%)     | Carrying amount |
| <b>Investments in associates:</b>               |                |                |                 |                   |                 |
| SK China Company Ltd.                           | China          | 27.3           | ₩ 535,931       | 27.3              | ₩ 526,099       |
| Korea IT Fund(*1)                               | Korea          | 63.3           | 264,653         | 63.3              | 257,003         |
| KEB HanaCard Co., Ltd.(*2)                      | Korea          | 15.0           | 278,270         | 15.0              | 280,988         |
| NanoEnTek, Inc.                                 | Korea          | 27.1           | 37,307          | 28.5              | 38,718          |
| SK Technology Innovation Company                | Cayman Islands | 49.0           | 42,434          | 49.0              | 42,511          |
| HappyNarae Co., Ltd.                            | Korea          | 45.0           | 22,580          | 45.0              | 21,873          |
| SK hynix Inc.                                   | Korea          | 20.1           | 8,656,527       | 20.1              | 8,130,000       |
| SK MENA Investment B.V.                         | Netherlands    | 32.1           | 13,784          | 32.1              | 13,853          |
| S.M.Culture & Contents Co.,Ltd.                 | Korea          | 23.4           | 63,929          | 23.4              | 64,966          |
| Xinan Tianlong Science and Technology Co., Ltd. | China          | 49.0           | 25,554          | 49.0              | 25,891          |
| Daehan Kanggun BeN Co., Ltd. and others         |                |                | 84,743          |                   | 96,479          |
| Sub-total                                       |                |                | 10,025,712      |                   | 9,498,381       |
| <b>Investments in joint ventures:</b>           |                |                |                 |                   |                 |
| Dogus Planet, Inc.(*3)                          | Turkey         | 50.0           | 14,092          | 50.0              | 13,991          |
| Finnq Co., Ltd.(*4)                             | Korea          | 49.0           | 14,580          | 49.0              | 16,474          |
| Celcom Planet and others                        |                |                | 9,631           |                   | 9,592           |
| Sub-total                                       |                |                | 38,303          |                   | 40,057          |
| Total   |                |                | ₩ 10,064,015    |                   | ₩ 9,538,438     |

(\*1) Investment in Korea IT Fund was classified as investment in associates as the Group does not have control over Korea IT Fund under the contractual agreement.

(\*2)

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

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

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

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (2) The market price of investments in listed associates as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2018                     |                  |              | December 31, 2017                  |                  |              |
|--|------------------------------------|------------------|--------------|------------------------------------|------------------|--------------|
|  | Market price per share<br>(In won) | Number of shares | Market price | Market price per share<br>(In won) | Number of shares | Market price |
| NanoEnTek, Inc.                                    | ₩ 5,620                            | 6,960,445        | 39,118       | 5,950                              | 6,960,445        | 41,415       |
| SK hynix Inc.                                      | 81,300                             | 146,100,000      | 11,877,930   | 76,500                             | 146,100,000      | 11,176,650   |
| S.M.Culture & Contents Co.,Ltd.                    | 3,380                              | 22,033,898       | 74,475       | 2,700                              | 22,033,898       | 59,492       |

- (3) The financial information of significant associates as of and for the three-month period ended March 31, 2018 and as of and for the year ended December 31, 2017 is as follows:

| <i>(In millions of won)</i>       | SK hynix Inc.                                   | KEB HanaCard Co., Ltd. | Korea IT Fund | SK China Company Ltd. |
|-----------------------------------|---|------------------------|---------------|-----------------------|
|                                   | As of March 31, 2018                            |                        |               |                       |
| Current assets                    | ₩ 17,632,878                                    | 7,362,544              | 133,836       | 723,101               |
| Non-current assets                | 31,492,245                                      | 231,264                | 284,037       | 1,077,832             |
| Current liabilities               | 9,352,773                                       | 1,012,643              |               | 70,422                |
| Non-current liabilities           | 3,393,864                                       | 5,083,123              |               | 79,103                |
|                                   | For the three-month period ended March 31, 2018 |                        |               |                       |
| Revenue                           | 8,719,691                                       | 393,508                |               | 20,851                |
| Profit (loss) for the period      | 3,121,329                                       | 25,392                 | (728)         | 3,008                 |
| Other comprehensive income (loss) | 163,869   | (221)                  |               | 30,173                |
| Total comprehensive income (loss) | 3,285,198                                       | 25,171                 | (728)         | 33,181                |



## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (3) The financial information of significant associates as of and for the three-month period ended March 31, 2018 and as of and for the year ended December 31, 2017 is as follows, Continued:

|                                   | <b>SK hynix<br/>Inc.</b> | <b>KEB HanaCard<br/>Co., Ltd.</b> | <b>Korea IT<br/>Fund</b> | <b>SK China<br/>Company Ltd.</b> |
|-----------------------------------|--------------------------|-----------------------------------|--------------------------|----------------------------------|
| <i>(In millions of won)</i>       |                          |                                   |                          |                                  |
|                                   |                          | <b>As of December 31, 2017</b>    |                          |                                  |
| Current assets                    | ₩ 17,310,444             | 7,339,492                         | 144,874                  | 729,872                          |
| Non-current assets                | 28,108,020               | 220,258                           | 260,920                  | 1,031,647                        |
| Current liabilities               | 8,116,133                | 1,181,746                         |                          | 81,161                           |
| Non-current liabilities           | 3,481,412                | 4,861,842                         |                          | 64,717                           |
|                                   |                          | <b>2017</b>                       |                          |                                  |
| Revenue                           | 30,109,434               | 1,519,607                         | 11,743                   | 69,420                           |
| Profit for the year               | 10,642,219               | 106,352                           | 1,916                    | 11,492                           |
| Other comprehensive income (loss) | (422,042)                | (984)                             | 4,108                    | 27,190                           |
| Total comprehensive income        | 10,220,177               | 105,368                           | 6,024                    | 38,682                           |

- (4) The condensed financial information of joint ventures as of and for the three-month period ended March 31, 2018 and as of and for the year ended December 31, 2017 is as follows:

|  | <b>Dogus Planet, Inc.</b> | <b>Finnq Co. Ltd.</b>                                  |        |
|--|---------------------------|--|--------|
| <i>(In millions of won)</i>                    |                           |  |        |
|  |                           | <b>As of March 31, 2018</b>                            |        |
| Current assets                                 | ₩                         | 44,670   | 25,492 |
| Cash and cash equivalents                      |                           | 42,163   | 3,450  |
| Non-current assets                             |                           | 20,020   | 17,146 |
| Current liabilities                            |                           | 35,758   | 4,833  |
| Accounts payable, other payables and provision |                           | 1,771  | 1,475  |
| Non-current liabilities                        |                           | 749  | 8,935  |
|  |                           | <b>For the three-month period ended March 31, 2018</b> |        |
| Revenue  |                           | 24,204   |        |
| Depreciation and amortization                  |                           | (1,395)  | (785)  |
| Interest income                                |                           | 227  |        |

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|                                   |       |         |
|-----------------------------------|-------|---------|
| Interest expense                  |       | (80)    |
| Profit (loss) for the period      | 1,725 | (3,955) |
| Total comprehensive income (loss) | 1,725 | (3,955) |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (4) The condensed financial information of joint ventures as of and for the year ended December 31, 2017 is as follows, Continued:

| <i>(In millions of won)</i>                    | <b>Dogus Planet, Inc.    Finnq Co., Ltd.</b> |          |
|--|--|----------|
|  | <b>As of December 31, 2017</b>               |          |
| Current assets                                 | ₩ 39,656                                     | 32,232   |
| Cash and cash equivalents                      | 25,818                                       | 4,590    |
| Non-current assets                             | 21,159                                       | 15,610   |
| Current liabilities                            | 32,622                                       | 5,685    |
| Accounts payable, other payables and provision | 2,743  | 2,290    |
| Non-current liabilities                        | 212  | 13,862   |
|  | <b>2017</b>                                  |          |
| Revenue  | 82,791                                       |          |
| Depreciation and amortization                  | (6,152)                                      | (1,077)  |
| Interest income                                | 781  | 532      |
| Interest expense                               | (4)  | (276)    |
| Loss for the year                              | (4,535)                                      | (15,699) |
| Total comprehensive loss                       | (4,535)                                      | (15,699) |

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31, 2018</b> |                                |   |                                      |                        |
|-----------------------------|-----------------------|--------------------------------|---|--------------------------------------|------------------------|
|                             | <b>Net assets</b>     | <b>Ownership interests (%)</b> | <b>Net assets attributable to the ownership interests</b> | <b>Cost-book value differentials</b> | <b>Carrying amount</b> |
| <b>Associates:</b>          |                       |                                |   |                                      |                        |
| SK hynix Inc.(*1,2)         | ₩ 36,370,740          | 20.1                           | 7,526,555   | 1,129,972                            | 8,656,527              |
| KEB HanaCard Co., Ltd.      | 1,498,042             | 15.0                           | 224,706   | 53,564                               | 278,270                |
| Korea IT Fund               | 417,873               | 63.3                           | 264,653   |                                      | 264,653                |
| SK China Company Ltd.(*1)   | 1,649,552             | 27.3                           | 449,853   | 86,078                               | 535,931                |



SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of March 31, 2018 and December 31, 2017 are as follows, Continued:

| <i>(In millions of won)</i> | Net assets   | December 31, 2017       |  | Cost-book value differentials | Carrying amount |
|-----------------------------|--------------|-------------------------|--|-------------------------------|-----------------|
|                             |              | Ownership interests (%) | Net assets attributable to the ownership interests |                               |                 |
| <b>Associates:</b>          |              |                         |  |                               |                 |
| SK hynix Inc.(*1,2)         | ₩ 33,814,467 | 20.1                    | 6,997,560  | 1,132,440                     | 8,130,000       |
| KEB HanaCard Co., Ltd.      | 1,516,162    | 15.0                    | 227,424  | 53,564                        | 280,988         |
| Korea IT Fund               | 405,794      | 63.3                    | 257,003  |                               | 257,003         |
| SK China Company Ltd.(*1)   | 1,612,899    | 27.3                    | 439,857  | 86,242                        | 526,099         |

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

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

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                       | <b>For the three-month period ended March 31, 2018</b> |   |  |  |  |                           |
|---|--|---|--|--|--|---------------------------|
|   | <b>Beginning<br/>balance</b>                           | <b>Acquisition<br/>and<br/>Disposal</b> | <b>Share of<br/>profits<br/>(losses)</b> | <b>Other<br/>compre-<br/>hensive<br/>income<br/>(loss)</b> | <b>Other<br/>increase<br/>(decrease)</b> | <b>Ending<br/>balance</b> |
| <b>Investments in associates:</b>                 |  |   |  |  |  |                           |
| SK China Company Ltd.                             | ₩ 526,099  |   | 99                                       | 9,733  |  | 535,931                   |
| Korea IT Fund                                     | 257,003  |   | 9,068                                    | (1,418)  |  | 264,653                   |
| KEB HanaCard Co., Ltd.                            | 280,988  |   | (2,734)                                  | 16   |  | 278,270                   |
| NanoEnTek, Inc.                                   | 38,718   |   | (1,655)                                  | 244  |  | 37,307                    |
| SK Technology Innovation Company                  | 42,511   |   | 103                                      | (180)  |  | 42,434                    |
| HappyNarae Co., Ltd.                              | 21,873   |   | 707                                      |  |  | 22,580                    |
| SK hynix Inc.(*)                                  | 8,130,000  |   | 642,394                                  | 30,233   | (146,100)                                | 8,656,527                 |
| SK MENA Investment B.V.                           | 13,853   |   | (6)                                      | (63)   |  | 13,784                    |
| S.M.Culture & Contents Co., Ltd.                  | 64,966   |   | (1,077)                                  | 40   |  | 63,929                    |
| Xian Tianlong Science and<br>Technology Co., Ltd. | 25,891   |   | (337)                                    |  |  | 25,554                    |
| Daehan Kanggun BcN Co., Ltd. and<br>others        | 96,479   | 485                                     | (4,558)                                  | 387  | (8,050)                                  | 84,743                    |
| <b>Sub-total</b>                                  | <b>9,498,381</b>                                       | <b>485</b>                              | <b>642,004</b>                           | <b>38,992</b>  | <b>(154,150)</b>                         | <b>10,025,712</b>         |
| <b>Investments in joint ventures:</b>             |  |   |  |  |  |                           |
| Dogus Planet, Inc.                                | 13,991   |   | 862                                      | (761)  |  | 14,092                    |
| Finnq Co. Ltd.                                    | 16,474   |   | (1,848)                                  | (46)   |  | 14,580                    |
| Celcom Planet and others                          | 9,592  |   | 42                                       | (3)  |  | 9,631                     |
| <b>Sub-total</b>                                  | <b>40,057</b>  |   | <b>(944)</b>                             | <b>(810)</b>   |  | <b>38,303</b>             |
|   | <b>₩9,538,438</b>                                      | <b>485</b>                              | <b>641,060</b>                           | <b>38,182</b>  | <b>(154,150)</b>                         | <b>10,064,015</b>         |

(\*) Dividends declared by the associates are deducted from their carrying amounts during the three-month period ended March 31, 2018.



## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the three-month periods ended March 31, 2018 and 2017 are as follows, Continued:

| <i>(In millions of won)</i>                       | <b>For the three-month period ended March 31, 2017</b> |   |  |   |                           |                           |
|---|--|---|--|---|---------------------------|---------------------------|
|   | <b>Beginning<br/>balance</b>                           | <b>Acquisition<br/>and<br/>Disposal</b> | <b>Share of<br/>profits<br/>(losses)</b> | <b>Other<br/>compre-<br/>hensive<br/>loss</b> | <b>Other<br/>decrease</b> | <b>Ending<br/>balance</b> |
| <b>Investments in associates:</b>                 |  |   |  |   |                           |                           |
| SK China Company Ltd.                             | ₩ 46,354   |   | (344)                                    | (3,843)                                       |                           | 42,167                    |
| Korea IT Fund                                     | 263,850  |   | (9,397)                                  | 769   |                           | 255,222                   |
| KEB HanaCard Co., Ltd.                            | 265,798  |   | 7,387                                    | (32)  |                           | 273,153                   |
| NanoEnTek, Inc.                                   | 39,514   |   | (911)                                    | 4   |                           | 38,607                    |
| SK Industrial Development China Co.,<br>Ltd.      | 74,717   |   | (301)                                    | (5,333)                                       |                           | 69,083                    |
| SK Technology Innovation Company                  | 47,488   |   | 120                                      | (3,634)                                       |                           | 43,974                    |
| HappyNarae Co., Ltd.                              | 17,236   |   | (381)                                    |   |                           | 16,855                    |
| SK hynix Inc.(*)                                  | 6,132,122  |   | 385,855                                  | (70,612)                                      | (87,660)                  | 6,359,705                 |
| SK MENA Investment B.V.                           | 15,451   |   | 25                                       | 1   |                           | 15,477                    |
| SKY Property Mgmt. Ltd.                           | 263,225  |   | (696)                                    | (12,079)                                      |                           | 250,450                   |
| Xian Tianlong Science and Technology<br>Co., Ltd. | 25,880   |   | (347)                                    |   |                           | 25,533                    |
| Daehan Kanggun BcN Co., Ltd. and<br>others        | 115,181  | (3,934)                                 | 6,572                                    | (3,772)                                       | (3,158)                   | 110,889                   |
| Sub-total   | 7,306,816  | (3,934)                                 | 387,582                                  | (98,531)                                      | (90,818)                  | 7,501,115                 |
| <b>Investments in joint ventures:</b>             |  |   |  |   |                           |                           |
| Dogus Planet, Inc.                                | 20,081   |   | 120                                      | (1,036)                                       |                           | 19,165                    |
| PT XL Planet Digital                              | 27,512   |   | (3,730)                                  | (2,040)                                       |                           | 21,742                    |
| Finnq Co., Ltd.                                   | 24,174   |   | (511)                                    |   |                           | 23,663                    |
| Celcom Planet and others                          | 25,740   |   | (3,500)                                  | (573)   |                           | 21,667                    |
| Sub-total   | 97,507   |   | (7,621)                                  | (3,649)                                       |                           | 86,237                    |
| <b>Total</b>                                      | <b>₩ 7,404,323</b>                                     | <b>(3,934)</b>                          | <b>379,961</b>                           | <b>(102,180)</b>                              | <b>(90,818)</b>           | <b>7,587,352</b>          |



(\*) Dividends declared by the associates are deducted from their carrying amounts during the three-month period ended March 31, 2017.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**11. Investments in Associates and Joint Ventures, Continued**

- (7) The Group discontinued the application of equity method to the following investees due to their carrying amounts being reduced to zero. The details of cumulative unrecognized equity method losses as of March 31, 2018 are as follows:

| <i>(In millions of won)</i>             | Unrecognized loss                               |                                      | Unrecognized change in equity                   |                 |
|---|---|--------------------------------------|---|-----------------|
|   | For the three-month period ended March 31, 2018 | Cumulative loss ended March 31, 2018 | For the three-month period ended March 31, 2018 | Cumulative loss |
| Wave City Development Co., Ltd.         | ₩ 4,762   | 6,862                                |   |                 |
| Daehan Kanggun BcN Co., Ltd. and others | 2,720   | 8,036                                |   | 365             |
|   | ₩ 7,482   | 14,898                               |   | 365             |

**12. Property and Equipment**

Changes in property and equipment for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | Beginning balance | For the three-month period ended March 31, 2018 |          |           |              |     | Business Combination | Ending balance |
|-----------------------------|-------------------|---|----------|-----------|--------------|-----|----------------------|----------------|
|                             |                   | Acquisition                                     | Disposal | Transfer  | Depreciation |     |                      |                |
| Land                        | ₩ 862,861         | 74  | (13)     | 1,823     |              |     | 864,745              |                |
| Buildings                   | 882,650           | 383   | (4)      | 14,927    | (13,011)     |     | 884,945              |                |
| Structures                  | 378,575           | 7   |          | 893       | (9,010)      |     | 370,465              |                |
| Machinery                   | 7,079,798         | 48,505  | (3,360)  | 203,379   | (563,741)    |     | 6,764,581            |                |
| Other                       | 531,057           | 48,707  | (1,042)  | (91,285)  | (34,673)     | 540 | 453,304              |                |
| Construction in progress    | 409,941           | 60,589  |          | (160,014) |              |     | 310,516              |                |
|                             | ₩ 10,144,882      | 158,265   | (4,419)  | (30,277)  | (620,435)    | 540 | 9,648,556            |                |

## For the three-month period ended March 31, 2017

| <i>(In millions of won)</i> | <b>Beginning<br/>balance</b> | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Depreciation</b> | <b>Impairment</b> | <b>Ending<br/>balance</b> |
|-----------------------------|------------------------------|--------------------|-----------------|-----------------|---------------------|-------------------|---------------------------|
| Land                        | ₩ 835,909                    | 310                | (3,529)         | 908             |                     |                   | 833,598                   |
| Buildings                   | 899,972                      | 83                 | (302)           | 3,411           | (12,780)            |                   | 890,384                   |
| Structures                  | 358,955                      | 1                  | (70)            | 80              | (8,693)             |                   | 350,273                   |
| Machinery                   | 7,036,050                    | 78,460             | (8,473)         | 270,090         | (551,463)           |                   | 6,824,664                 |
| Other                       | 563,034                      | 58,886             | (1,035)         | (64,492)        | (35,464)            | (2,014)           | 518,915                   |
| Construction in<br>progress | 680,292                      | 107,982            |                 | (277,213)       |                     |                   | 511,061                   |
|                             | ₩ 10,374,212                 | 245,722            | (13,409)        | (67,216)        | (608,400)           | (2,014)           | 9,928,895                 |

SK TELECOM CO., LTD. and Subsidiaries

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For the three-month periods ended March 31, 2018 and 2017

**13. Intangible Assets**

- (1) Details of the changes in intangible assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended March 31, 2018</b> |                    |                 |                 |                     |                   |                             | <b>Ending balance</b> |
|-----------------------------|--|--------------------|-----------------|-----------------|---------------------|-------------------|-----------------------------|-----------------------|
|                             | <b>Beginning balance</b>                               | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> | <b>Impairment</b> | <b>Business Combination</b> |                       |
| Frequency usage rights      | ₩ 2,176,940  |                    |                 |                 | (100,972)           |                   |                             | 2,075,968             |
| Land usage rights           | 15,750   | 1,005              | (170)           |                 | (1,952)             |                   |                             | 14,633                |
| Industrial rights           | 111,347  | 2,415              | (12)            | (189)           | (1,630)             |                   | 7                           | 111,938               |
| Development costs           | 4,103  | 607                |                 |                 | (480)               |                   | 5,785                       | 10,015                |
| Facility usage rights       | 36,451   | 282                | (2)             | 30              | (1,932)             |                   |                             | 34,829                |
| Customer relations          | 4,035  | 199                |                 |                 | (929)               |                   |                             | 3,305                 |
| Club memberships            | 73,614   | 2,185              | (780)           |                 |                     |                   |                             | 75,019                |
| Other                       | 1,164,725  | 25,059             | (3,982)         | 36,514          | (95,578)            | (903)             | 909                         | 1,126,744             |
|                             | ₩ 3,586,965  | 31,752             | (4,946)         | 36,355          | (203,473)           | (903)             | 6,701                       | 3,452,451             |

| <i>(In millions of won)</i> | <b>For the three-month period ended March 31, 2017</b> |                    |                 |                 |                     |                   |  | <b>Ending balance</b> |
|-----------------------------|--|--------------------|-----------------|-----------------|---------------------|-------------------|--|-----------------------|
|                             | <b>Beginning balance</b>                               | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> | <b>Impairment</b> |  |                       |
| Frequency usage rights      | ₩ 2,580,828  |                    |                 |                 | (100,972)           |                   |  | 2,479,856             |
| Land usage rights           | 20,834   | 605                | (86)            | 200             | (2,074)             |                   |  | 19,479                |
| Industrial rights           | 121,200  | 1,217              |                 |                 | (4,004)             |                   |  | 116,551               |
| Development costs           | 4,871  | 822                |                 |                 | (818)               |                   |  | 4,875                 |
| Facility usage rights       | 41,788   | 234                |                 |                 | 9                   | (2,138)           |  | 39,893                |
| Customer relations          | 6,652  | 99                 |                 |                 | (904)               |                   |  | 5,847                 |
| Club memberships            | 74,039   | 2,262              | (205)           |                 |                     |                   |  | 76,096                |
| Other                       | 926,142  | 10,691             | (1,461)         | 77,395          | (77,475)            | (180)             |  | 935,112               |
|                             | ₩ 3,776,354  | 15,930             | (1,752)         | 73,600          | (186,243)           | (180)             |  | 3,677,709             |

(2) Details of frequency usage rights as of March 31, 2018 are as follows:

| <i>(In millions of won)</i> | <b>Amount</b> | <b>Description</b>  | <b>Commencement<br/>of<br/>amortization</b> | <b>Completion of<br/>amortization</b> |
|-----------------------------|---------------|---|---|---------------------------------------|
| 800MHz license              | ₩ 131,768     | Frequency usage rights relating to CDMA and LTE service   | Jul. 2011                                   | Jun. 2021                             |
| 1.8GHz license              | 471,075       | Frequency usage rights relating to LTE service            | Sept. 2013                                  | Dec. 2021                             |
| WiBro license               | 2,370         | WiBro service   | Mar. 2012                                   | Mar. 2019                             |
| 2.6GHz license              | 1,062,415     | Frequency usage rights relating to LTE service            | Sept. 2016                                  | Dec. 2026                             |
| 2.1GHz license              | 408,340       | Frequency usage rights relating to W-CDMA and LTE service | Dec. 2016                                   | Dec. 2021                             |
|                             | ₩ 2,075,968   |   |   |                                       |

SK TELECOM CO., LTD. and Subsidiaries

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**14. Borrowings and Debentures**

(1) Short-term borrowings as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>Lender</b> | <b>Annual interest rate(%)</b> | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|-----------------------------|---------------|--------------------------------|-----------------------|--------------------------|
| Short-term borrowings       | Shinhan Bank  | 2.85                           | ₩ 30,000              | 30,000                   |
|                             | KEB Hana Bank | 1.67                           |                       | 50,000                   |
|                             | KEB Hana Bank | 3.17                           |                       | 30,000                   |
|                             | Shinhan Bank  | 3.38                           |                       | 20,000                   |
|                             |               |                                | ₩ 30,000              | 130,000                  |

(2) Changes in long-term borrowings for the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won)</i>         | <b>Lender</b>          | <b>Annual interest rate(%)</b> | <b>Maturity</b> | <b>Book value</b> |
|-------------------------------------|------------------------|--------------------------------|-----------------|-------------------|
| Current                             |                        |                                |                 | ₩ 41,331          |
| Non-current                         |                        |                                |                 | 211,486           |
| As of January 1, 2018               |                        |                                |                 | 252,817           |
| Repayments of long-term borrowings: |                        |                                |                 |                   |
|                                     | Kookmin Bank           | 1.95                           | Mar.15, 2018    | (717)             |
|                                     | Korea Development Bank | 1.99                           | Jul. 30, 2019   | (3,250)           |
|                                     | Korea Development Bank | 1.99                           | Jul. 30, 2019   | (833)             |
|                                     | Korea Development Bank | 2.27                           | Dec. 20, 2021   | (3,062)           |
| Other changes(*)                    |                        |                                |                 | (151)             |
| Current                             |                        |                                |                 | 83,783            |
| Non-current                         |                        |                                |                 | 161,021           |
| As of March 31, 2018                |                        |                                |                 | ₩ 244,804         |

- (\*) Other changes include the effects from translation of foreign currency-denominated long-term borrowings and changes in present value discount during the three-month period ended March 31, 2018.

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Notes to the Condensed Consolidated Interim Financial Statements

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**14. Borrowings and Debentures, Continued**

(3) Changes in debentures for the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won, thousands of other currencies)</i> | <b>Purpose</b> | <b>Annual interest rate(%)</b> | <b>Maturity</b> | <b>Face value</b> | <b>Book value</b> |
|--|----------------|--------------------------------|-----------------|-------------------|-------------------|
| Current  |                |                                |                 | ₩ 1,491,400       | 1,489,617         |
| Non-current  |                |                                |                 | 5,615,816         | 5,596,570         |
| As of January 1, 2018                                      |                |                                |                 | 7,107,216         | 7,086,187         |
| Debentures newly issued:                                   |                |                                |                 |                   |                   |
| Unsecured corporate bonds                                  | Refinancing    | 2.57                           | Feb. 20, 2021   | 110,000           | 109,507           |
|  |                | 2.81                           | Feb. 20, 2023   | 100,000           | 99,576            |
|  |                | 3.00                           | Feb. 20, 2028   | 200,000           | 199,228           |
|  |                | 3.02                           | Feb. 20, 2038   | 90,000            | 89,664            |
| Unsecured corporate bonds(*1)                              | Operating      | 2.59                           | Feb. 1, 2021    | 70,000            | 69,680            |
| Unsecured corporate bonds(*1)                              | Operating      | 2.93                           | Feb. 1, 2023    | 80,000            | 79,635            |
| Debentures repaid::  |                |                                |                 |                   |                   |
| Unsecured corporate bonds                                  | Other          | 5.00                           | Mar. 3, 2018    | (200,000)         | (200,000)         |
| Unsecured corporate bonds(*1)                              | Operating      | 2.23                           | Jan. 14, 2018   | (50,000)          | (50,000)          |
| Other changes(*2):   |                |                                |                 | (8,041)           | (6,001)           |
| Current  |                |                                |                 | 1,306,500         | 1,305,584         |
| Non-current  |                |                                |                 | 6,192,675         | 6,171,892         |
| As of March 31, 2018                                       |                |                                |                 | ₩ 7,499,175       | 7,477,476         |

(\*1) Unsecured corporate bonds were issued by SK Broadband Co., Ltd., one of the subsidiaries of the Parent Company.

(\*2) Other changes include the effects from translation of foreign currency-denominated debentures and changes in present value discount on debentures during the three-month period ended March 31, 2018.



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**15. Long-term Payables - other**

(1) Long-term payables - other as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                               | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| Payables related to acquisition of frequency usage rights | ₩ 1,036,400           | 1,328,630                |
| Other(*)  | 17,739                | 18,133                   |
|   | ₩ 1,054,139           | 1,346,763                |

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

(2) As of March 31, 2018 and December 31, 2017, details of long-term payables - other which consist of payables related to the acquisition of frequency usage rights are as follows (See Note 13):

| <i>(In millions of won)</i>                          | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|--|-----------------------|--------------------------|
| Long-term payables - other                           | ₩ 1,407,388           | 1,710,255                |
| Present value discount on long-term payables - other | (73,150)              | (79,874)                 |
| Current installments of long-term payables - other   | (297,838)             | (301,751)                |
| Carrying amount at period end                        | ₩ 1,036,400           | 1,328,630                |

(3) The Company repaid ₩302,867 million of the principal amount of long-term payables - other during the three-month period ended March 31, 2018. The repayment schedule of the principal amount of long-term payables - other as of March 31, 2018 is as follows:

| <i>(In millions of won)</i> | <b>Amount</b> |
|-----------------------------|---------------|
| Less than 1 year            | ₩ 302,867     |
| 1~3 years                   | 605,734       |
| 3~5 years                   | 199,515       |

More than 5 years

299,272

₩ 1,407,388

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## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**16. Provisions**

Changes in provisions for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                  | <b>For the three-month period ended March 31, 2018</b> |   |                 |                    |                 |              | <b>As of March 31, 2018</b> |                |                    |
|--|--|---|-----------------|--------------------|-----------------|--------------|-----------------------------|----------------|--------------------|
|  | <b>Beginning balance</b>                               | <b>Impact of adopting K-IFRS No. 1115</b> | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Other</b> | <b>Ending balance</b>       | <b>Current</b> | <b>Non-current</b> |
| Provision for installment of handset subsidy | ₩ 3,874  |   |                 | (263)              |                 |              | 3,611                       | 3,611          |                    |
| Provision for restoration                    | 73,267   |   | 935             | (233)              | (302)           | 52           | 73,719                      | 41,310         | 32,409             |
| Emission allowance                           | 4,650  |   | 759             |                    |                 |              | 5,409                       | 5,409          |                    |
| Other provisions                             | 2,935  | (215)                                     | 627             | (644)              |                 | 22           | 2,725                       | 2,725          |                    |
|  | ₩ 84,726   | (215)                                     | 2,321           | (1,140)            | (302)           | 74           | 85,464                      | 53,055         | 32,409             |

|  | <b>For the three-month period ended March 31, 2017</b> |  |                 |                    |                 |              | <b>As of March 31, 2017</b> |                |                    |
|--|--|--|-----------------|--------------------|-----------------|--------------|-----------------------------|----------------|--------------------|
|  | <b>Beginning balance</b>                               |  | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Other</b> | <b>Ending balance</b>       | <b>Current</b> | <b>Non-current</b> |
| Provision for installment of handset subsidy | ₩ 24,710   |  |                 | (2,703)            |                 |              | 22,007                      | 20,445         | 1,562              |
| Provision for restoration                    | 64,679   |  | 904             | (279)              | (259)           | (18)         | 65,027                      | 38,241         | 26,786             |
| Emission allowance                           | 2,788  |  | 1,230           |                    |                 |              | 4,018                       | 4,018          |                    |
| Other provisions                             | 5,740  |  | 566             | (146)              |                 |              | 6,160                       | 6,160          |                    |
|  | ₩ 97,917   |  | 2,700           | (3,128)            | (259)           | (18)         | 97,212                      | 68,864         | 28,348             |

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

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

(1) Details of defined benefit liabilities (assets) as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                  | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|---------------------------|------------------------------|
| Present value of defined benefit obligations | ₩ 718,172                 | 679,625                      |
| Fair value of plan assets                    | (657,631)                 | (663,617)                    |
| Defined benefit assets(*)                    | (22,999)                  | (45,952)                     |
| Defined benefit liabilities                  | 83,540                    | 61,960                       |

(\*) Since the Group entities neither have legally enforceable right nor intention to settle the defined benefit obligations of Group entities with defined benefit assets of other Group entities, defined benefit assets of Group entities have been separately presented from defined benefit liabilities.

(2) Changes in defined benefit obligations for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>      | <b>For the three month period ended</b> |                           |
|----------------------------------|---|---------------------------|
|                                  | <b>March 31,<br/>2018</b>               | <b>March 31,<br/>2017</b> |
| Beginning balance                | ₩ 679,625                               | 595,667                   |
| Current service cost             | 31,656                                  | 28,678                    |
| Interest cost                    | 4,937                                   | 3,792                     |
| Remeasurement:                   |   |                           |
| - Adjustment based on experience | 14,304                                  | 12,223                    |
| Benefit paid                     | (14,562)                                | (14,507)                  |
| Others                           | 2,212                                   | 10,040                    |
| Ending balance                   | ₩ 718,172                               | 635,893                   |

(3) Changes in plan assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                  |
|-----------------------------|---|------------------|
|                             | <b>March 31,</b>                        | <b>March 31,</b> |
|                             | <b>2018</b>                             | <b>2017</b>      |
| Beginning balance           | ₩ 663,617                               | 555,175          |
| Interest income             | 4,812                                   | 3,356            |
| Remeasurement               | (2,374)                                 | (1,307)          |
| Contribution                | 11,217                                  | 22,500           |
| Benefit paid                | (24,944)                                | (33,414)         |
| Others                      | 5,303                                   | 7,859            |
| Ending balance              | ₩ 657,631                               | 554,169          |

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**17. Defined Benefit Liabilities(Assets), Continued**

- (4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                           |
|-----------------------------|---|---------------------------|
|                             | <b>March 31,<br/>2018</b>               | <b>March 31,<br/>2017</b> |
| Current service cost        | ₩ 31,656                                | 28,678                    |
| Net interest cost           | 125                                     | 436                       |
|                             | <b>₩ 31,781</b>                         | <b>29,114</b>             |

**18. Share Capital and Capital Surplus and Others**

The Parent Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won, except for share data)</i> | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|--|-----------------------|--------------------------|
| Number of authorized shares                        | 220,000,000           | 220,000,000              |
| Number of issued shares                            | 80,745,711            | 80,745,711               |
| Share capital:                                     |                       |                          |
| Common stock                                       | ₩ 44,639              | 44,639                   |
| Capital surplus and others:                        |                       |                          |
| Additional paid-in capital                         | 2,915,887             | 2,915,887                |
| Treasury shares                                    | (2,260,626)           | (2,260,626)              |
| Hybrid bonds                                       | 398,518               | 398,518                  |
| Share option(Note 19)                              | 553                   | 414                      |
| Others (*)   | (857,511)             | (857,912)                |
|  | <b>₩ 196,821</b>      | <b>196,281</b>           |

(\*)

Others primarily consist of the excess of the consideration paid by the Group over the seller's carrying values of net assets acquired from entities under common control.

**18. Share Capital and Capital Surplus and Others, Continued**

There were no changes in share capital for the three-month periods ended March 31, 2018 and 2017 and details of shares outstanding as of March 31, 2018 and 2017 are as follows:

| <i>(In shares)</i> | <b>March 31, 2018</b> |                           |                    | <b>March 31, 2017</b> |                           |                    |
|--------------------|-----------------------|---------------------------|--------------------|-----------------------|---------------------------|--------------------|
|                    | <b>Issued</b>         | <b>Treasury<br/>stock</b> | <b>Outstanding</b> | <b>Issued</b>         | <b>Treasury<br/>stock</b> | <b>Outstanding</b> |
| Number of shares   | 80,745,711            | 10,136,551                | 70,609,160         | 80,745,711            | 10,136,551                | 70,609,160         |

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**19. Share option**

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

|                              | <b>Series</b>                             |   |   |   |
|------------------------------|---|---|---|---|
|                              | <b>1-1</b>                                | <b>1-2</b>                                | <b>1-3</b>                                | <b>2-0</b>                                |
| Grant date                   |   | March 24, 2017                            |   | February 20, 2018                         |
| Types of shares to be issued |   | Registered common shares                  |   |   |
| Grant method                 |   | Reissue of treasury shares                |   |   |
| Number of shares (in shares) | 22,168                                    | 22,168                                    | 22,168                                    | 5,707                                     |
| Exercise price (in won)      | 246,750                                   | 266,490                                   | 287,810                                   | 254,120                                   |
| Exercise period              | Mar. 25, 2019 ~<br>Mar. 24, 2022          | Mar. 25, 2020 ~<br>Mar. 24, 2023          | Mar. 25, 2021 ~<br>Mar. 24, 2024          | Feb. 21, 2020 ~<br>Feb. 20, 2023          |
| Vesting conditions           | 2 years service<br>from the grant<br>date | 3 years service<br>from the grant<br>date | 4 years service<br>from the grant<br>date | 2 years service<br>from the grant<br>date |

- (2) The recognized share compensation expense and the remaining share compensation expense to be recognized in subsequent periods are as follows:

| <i>(In millions of won)</i>                        | <b>Share<br/>compensation expense</b> |       |
|--|---------------------------------------|-------|
| During the year ended December 31, 2017            | ₩                                     | 414   |
| During the three-month period ended March 31, 2018 |                                       | 139   |
| In subsequent periods                              |                                       | 975   |
|  | ₩                                     | 1,528 |

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

|                         | <b>1-1</b> | <b>1-2</b> | <b>1-3</b> | <b>2-0</b> |
|-------------------------|------------|------------|------------|------------|
| Risk-free interest rate | 1.86%      | 1.95%      | 2.07%      | 2.63%      |



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| Estimated option's life                                 | 5 years | 6 years | 7 years | 5 years |
|---|---------|---------|---------|---------|
| Share price (Closing price on the preceding day in won) | 262,500 | 262,500 | 262,500 | 243,500 |
| Expected volatility                                     | 13.38%  | 13.38%  | 13.38%  | 16.45%  |
| Expected dividends                                      | 3.80%   | 3.80%   | 3.80%   | 3.70%   |
| Exercise price (in won)                                 | 246,750 | 266,490 | 287,810 | 254,120 |
| Per share fair value of the option (in won)             | 27,015  | 20,240  | 15,480  | 23,988  |

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**20. Retained Earnings**

Retained earnings as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>        | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Appropriated:                      |                           |                          |
| Legal reserve                      | ₩ 22,320                  | 22,320                   |
| Reserve for business expansion     | 10,531,138                | 10,171,138               |
| Reserve for technology development | 3,321,300                 | 3,071,300                |
|                                    | 13,874,758                | 13,264,758               |
| Unappropriated                     | 5,967,614                 | 4,571,188                |
|                                    | ₩ 19,842,372              | 17,835,946               |

**21. Reserves**

(1) Details of reserves, net of taxes, as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>                                     | <b>March 31, 2018</b> | <b>December 31, 2017</b> |
|---|-----------------------|--------------------------|
| Valuation gain on financial assets at FVOCI                     | ₩ 79,486              |                          |
| Valuation gain on available-for-sale financial assets           |                       | 168,211                  |
| Other comprehensive loss of investments in associates           | (281,488)             | (320,060)                |
| Valuation loss on derivatives                                   | (83,508)              | (73,828)                 |
| Foreign currency translation differences for foreign operations | (7,260)               | (9,050)                  |
|   | ₩ (292,770)           | (234,727)                |

(2) Changes in reserves for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>          | <b>Valuation<br/>gain (loss)<br/>on financial<br/>assets at<br/>FVOCI</b> | <b>Valuation gain<br/>(loss) on<br/>available-for-sale<br/>financial assets</b> | <b>Other compre-<br/>hensive<br/>loss of<br/>investments<br/>in<br/>associates</b> | <b>Valuation<br/>loss on<br/>derivatives</b> | <b>Foreign currency<br/>translation<br/>differences for<br/>foreign<br/>operations</b> | <b>Total</b> |
|--------------------------------------|---|---|--|--|--|--------------|
| Balance at January 1, 2017           | ₩   | 12,534  | (179,167)  | (96,418)                                     | 36,868   | (226,183)    |
| Changes, net of taxes                |   | 49,183  | (102,309)  | (8,770)                                      | (36,292)   | (98,188)     |
| Balance at March 31, 2017            |   | 61,717  | (281,476)  | (105,188)                                    | 576  | (324,371)    |
| Balance at December 31,<br>2017      |   | 168,211   | (320,060)  | (73,828)                                     | (9,050)  | (234,727)    |
| Impact of adopting K-IFRS<br>No.1109 | 99,407  | (168,211)   |  |  |  | (68,804)     |
| Balance at January 1, 2018           | 99,407  |   | (320,060)  | (73,828)                                     | (9,050)  | (303,531)    |
| Changes, net of taxes                | (19,921)  |   | 38,572   | (9,680)                                      | 1,790  | 10,761       |
| Balance at March 31, 2018            | ₩ 79,486  |   | (281,488)  | (83,508)                                     | (7,260)  | (292,770)    |

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**22. Other Operating Expenses**

Details of other operating expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>              | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Communication                            | ₩ 8,172                                 | 7,134                 |
| Utilities                                | 75,081                                  | 73,671                |
| Taxes and dues                           | 8,634                                   | 3,299                 |
| Repair                                   | 79,158                                  | 75,393                |
| Research and development                 | 89,425                                  | 94,617                |
| Training                                 | 8,444                                   | 6,876                 |
| Bad debt for accounts receivable - trade | 9,820                                   | 6,511                 |
| Travel                                   | 6,696                                   | 5,833                 |
| Supplies and other                       | 34,372                                  | 33,079                |
|  | ₩ 319,802                               | 306,413               |

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

Details of other non-operating income and expenses for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Other Non-operating Income:</b>                                 |   |                       |
| Fees revenues  | ₩ 85                                    | 73                    |
| Gain on disposal of property and equipment and intangible assets   | 2,157                                   | 4,524                 |
| Others   | 14,678                                  | 4,187                 |
|  | ₩ 16,920                                | 8,784                 |
| <b>Other Non-operating Expenses:</b>                               |   |                       |
| Loss on impairment of property and equipment and intangible assets | ₩ 903                                   | 2,194                 |
|  | 3,068                                   | 10,127                |

Loss on disposal of property and equipment and  
intangible assets

|  |                     |        |
|--|---------------------|--------|
| Donations                                | 15,971              | 15,191 |
| Bad debt for accounts receivable - other | 3,714               | 2,706  |
| Others                                   | 3,311               | 6,036  |
|  | <del>₩</del> 26,967 | 36,254 |

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**24. Finance Income and Costs**

- (1) Details of finance income and costs for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>                         | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Finance Income:</b>                              |   |                       |
| Interest income                                     | ₩ 16,920                                | 25,280                |
| Gain on sale of accounts receivable - other         | 3,749                                   | 5,025                 |
| Dividends   | 15,142                                  | 10,151                |
| Gain on foreign currency transactions               | 3,607                                   | 2,286                 |
| Gain on foreign currency translations               | 558                                     | 7,175                 |
| Gain on disposal of long-term investment securities |   | 2,269                 |
| Gain on financial assets at FVTPL                   | 9,502                                   |                       |
| Gain on valuation of derivatives                    | 319                                     | 355                   |
|   | ₩ 49,797                                | 52,541                |

| <i>(In millions of won)</i>                         | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| <b>Finance Costs:</b>                               |   |                       |
| Interest expenses                                   | ₩ 75,115                                | 74,420                |
| Loss on sale of accounts receivable - other         | 2,458                                   | 2,518                 |
| Loss on foreign currency transactions               | 6,138                                   | 4,363                 |
| Loss on foreign currency translations               | 480                                     | 9,633                 |
| Loss on disposal of long-term investment securities |   | 49                    |
| Loss on financial assets at FVTPL                   | 400                                     |                       |
| Loss on financial liabilities at FVTPL              | 288                                     | 331                   |
|   | ₩ 84,879                                | 91,314                |

- (2) Details of interest income included in finance income for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Interest income on cash equivalents and short-term financial instruments | ₩ 6,767                                 | 5,605                 |
| Interest income on installment receivables and others                    | 10,153                                  | 19,675                |
|  | ₩ 16,920                                | 25,280                |

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

- (3) Details of interest expenses included in finance costs for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>    | <b>For the three-month period ended</b> |                       |
|--------------------------------|---|-----------------------|
|                                | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Interest expense on borrowings | ₩ 3,562                                 | 2,452                 |
| Interest expense on debentures | 57,970                                  | 55,824                |
| Others                         | 13,583                                  | 16,144                |
|                                | ₩ 75,115                                | 74,420                |

- (4) Details of impairment losses on financial assets for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Accounts receivable trade   | ₩ 9,820                                 | 6,511                 |
| Other receivables           | 3,714                                   | 2,706                 |
|                             | ₩ 13,534                                | 9,217                 |

**25. Income Tax Expense**

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

**26. Earnings per Share**

- (1) Basic earnings per share



- 1) Basic earnings per share for the three-month periods ended March 31, 2018 and 2017 are calculated as follows:

| <i>(In millions of won, except for share data)</i>   | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31,</b>                        | <b>March 31, 2017</b> |
|  | <b>2018</b>                             |                       |
| Profit for the period                                | ₩ 694,959                               | 589,134               |
| Weighted average number of common shares outstanding | 70,609,160                              | 70,609,160            |
| Basic earnings per share (in won)                    | ₩ 9,842                                 | 8,344                 |

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For the three-month periods ended March 31, 2018 and 2017

**26. Earnings per Share, Continued**

- 2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2018 and 2017 are calculated as follows:

| <i>(In shares)</i>  | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Issued common shares at January 1                                       | 80,745,711                              | 80,745,711            |
| Effect of treasury shares   | (10,136,551)                            | (10,136,551)          |
| <b>Weighted average number of common shares outstanding at March 31</b> | <b>70,609,160</b>                       | <b>70,609,160</b>     |

- (2) Diluted earnings per share

For the three-month periods ended March 31, 2018 and 2017, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.

**27. Categories of Financial Instruments**

- (1) Financial assets by category as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>        | <b>March 31, 2018</b>            |                                    |                                  |   | <b>Total</b> |
|------------------------------------|----------------------------------|------------------------------------|----------------------------------|---|--------------|
|                                    | <b>Financial assets at FVTPL</b> | <b>Equity instruments at FVOCI</b> | <b>Debt instruments at FVOCI</b> | <b>Financial assets at amortized cost</b> |              |
| Cash and cash equivalents          | ₩                                |                                    |                                  | 1,885,744                                 | 1,885,744    |
| Financial instruments              |                                  |                                    |                                  | 567,726                                   | 567,726      |
| Short-term investment securities   | 77,407                           |                                    |                                  |   | 77,407       |
| Long-term investment securities(*) | 397,536                          | 698,057                            | 1,063                            |   | 1,096,656    |
| Accounts receivable - trade        |                                  |                                    |                                  | 2,102,956                                 | 2,102,956    |
| Loans and other receivables        | 1,014,124                        |                                    |                                  | 1,054,279                                 | 2,068,403    |
| Derivative financial assets        | 9,373                            |                                    |                                  | 3,139                                     | 12,512       |

|             |         |       |           |       |           |
|-------------|---------|-------|-----------|-------|-----------|
| ₩ 1,498,440 | 698,057 | 1,063 | 5,610,705 | 3,139 | 7,811,404 |
|-------------|---------|-------|-----------|-------|-----------|

(\*) The Group designated ₩ 698,057 million of equity instrument that is not held for trading as financial assets measured at FVOCI.

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

(1) Financial assets by category as of March 31, 2018 and December 31, 2017 are as follows, Continued:

| <i>(In millions of won)</i>      | <b>December 31, 2017</b>   |   |                                  |   | <b>Total</b> |
|----------------------------------|--|---|----------------------------------|---|--------------|
|                                  | <b>Financial assets at<br/>fair value through<br/>profit or<br/>loss</b> | <b>available-for-<br/>sale<br/>financial<br/>assets</b> | <b>Loans and<br/>receivables</b> | <b>Derivatives hedging<br/>instrument</b> |              |
| Cash and cash equivalents        | ₩  |   | 1,457,735                        |   | 1,457,735    |
| Financial instruments            |  |   | 618,002                          |   | 618,002      |
| Short-term investment securities | 97,003   | 47,383  |                                  |   | 144,386      |
| Long-term investment securities  |  | 887,007   |                                  |   | 887,007      |
| Accounts receivable trade        |  |   | 2,138,755                        |   | 2,138,755    |
| Loans and other receivables(*)   |  |   | 1,962,083                        |   | 1,962,083    |
| Derivative financial assets      | 231,311  |   |                                  | 21,902                                    | 253,213      |
|                                  | ₩ 328,314  | 934,390   | 6,176,575                        | 21,902                                    | 7,461,181    |

(2) Financial liabilities by category as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i>         | <b>March 31, 2018</b>                         |  |   |  | <b>Total</b> |
|-------------------------------------|---|--|---|--|--------------|
|                                     | <b>Financial<br/>liabilities at<br/>FVTPL</b> | <b>Financial<br/>liabilities at<br/>amortized<br/>cost</b> | <b>Derivatives<br/>hedging<br/>instrument</b> |  |              |
| Accounts payable trade              | ₩   | 243,520  |   |  | 243,520      |
| Derivative financial liabilities    |   |  | 44,934  |  | 44,934       |
| Borrowings                          |   | 274,804  |   |  | 274,804      |
| Debentures(*)                       | 60,566  | 7,416,910  |   |  | 7,477,476    |
| Accounts payable - other and others |   | 5,215,232  |   |  | 5,215,232    |
|                                     | ₩ 60,566                                      | 13,150,466   | 44,934  |  | 13,255,966   |

(\*)

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

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

(2) Financial liabilities by category as of March 31, 2018 and December 31, 2017 are as follows, Continued:

| <i>(In millions of won)</i>         | <b>December 31, 2017</b>   |   |                                       |              |
|-------------------------------------|--|---|---------------------------------------|--------------|
|                                     | <b>Financial liabilities measured at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivatives hedging instrument</b> | <b>Total</b> |
| Accounts payable trade              | ₩  | 351,711   |                                       | 351,711      |
| Derivative financial liabilities    |  |   | 39,470                                | 39,470       |
| Borrowings                          |  | 382,817   |                                       | 382,817      |
| Debentures(*)                       | 60,278   | 7,025,909   |                                       | 7,086,187    |
| Accounts payable - other and others |  | 4,865,519   |                                       | 4,865,519    |
|                                     | ₩ 60,278   | 12,625,956  | 39,470                                | 12,725,704   |

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

**28. Financial Risk Management****(1) Financial risk management**

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

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

## 1) Market risk

(i) Currency risk

The Group incurs exchange position due to revenue and expenses from its global business. Major foreign currencies where the currency risk occur are USD, JPY and EUR. The Group determines the currency risk management policy after considering the nature of business and the presence of methods that mitigate the currency risk for each Group entities. Currency risk occurs on forecasted transactions and recognized assets and liabilities which are denominated in a currency other than the functional currency of each Group entity. The Group manages currency risk arising from business transactions by using currency forwards, etc.

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For the three-month periods ended March 31, 2018 and 2017

**28. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary assets and liabilities denominated in foreign currencies as of March 31, 2018 are as follows:

| <i>(In millions of won, thousands of foreign currencies)</i> | Assets             |                 | Liabilities        |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | Foreign currencies | Won translation | Foreign currencies | Won translation |
| USD  | 158,697            | ₩ 169,276       | 1,823,575          | ₩ 1,944,842     |
| EUR  | 11,616             | 15,239          | 24                 | 8               |
| JPY  | 19,365             | 193             | 1,140              | 35              |
| Others   |                    | 10,201          |                    | 6,306           |
|  |                    | ₩ 194,909       |                    | ₩ 1,951,191     |

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

As of March 31, 2018, a hypothetical change in exchange rates by 10% would have increased (reduced) the Group's income before income taxes as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|---------------------|---------------------|
| USD                         | ₩ 8,625             | (8,625)             |
| EUR                         | 1,521               | (1,521)             |
| JPY                         | 18                  | (18)                |
| Others                      | 389                 | (389)               |
|                             | ₩ 10,553            | (10,553)            |

(ii) Interest rate risk

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



market interest rates.

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

As of March 31, 2018, the floating-rate borrowings and debentures of the Group are ₩220,438 million and ₩319,950 million, respectively, and the Group has entered into interest rate swap agreements for some of the floating-rate borrowings and debentures to hedge interest rate risk.

If the interest rate increases (decreases) 1%p with all other variables held constant, income before income taxes for the three-month period ended March 31 2018 would change by ₩700 million due to the interest expense on floating-rate borrowings that are exposed to interest rate risk.

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## 28. Financial Risk Management, Continued

- (1) Financial risk management, Continued  
2) Credit risk

The maximum credit exposure as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|-----------------------------|---------------------------|------------------------------|
| Cash and cash equivalents   | ₩ 1,884,812               | 1,457,416                    |
| Financial instruments       | 567,726                   | 618,002                      |
| Investment securities       | 30,676                    | 19,928                       |
| Accounts receivable trade   | 2,102,956                 | 2,138,755                    |
| Loans and other receivables | 2,068,403                 | 1,962,083                    |
| Derivative financial assets | 12,512                    | 30,956                       |
|                             | <b>₩ 6,667,085</b>        | <b>6,227,140</b>             |

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations.

To manage credit risk, the Group evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors. Based on such information, the Group establishes credit limits for each customer or counterparty.

The Group establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been expected to occur. The collective loss allowance is determined based on historical data of collection statistics for similar financial assets. Also, the Group's credit risk can arise from transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of March 31, 2018.

### 3) Liquidity risk

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

Contractual maturities of financial liabilities as of March 31, 2018 are as follows:

| <i>(In millions of won)</i>         | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More<br/>than<br/>5 years</b> |
|-------------------------------------|----------------------------|-----------------------------------|-----------------------------|--------------------|----------------------------------|
| Accounts payable - trade            | ₩ 243,520                  | 243,520                           | 243,520                     |                    |                                  |
| Borrowings(*)                       | 274,804                    | 288,955                           | 120,631                     | 168,324            |                                  |
| Debentures(*)                       | 7,477,476                  | 8,727,161                         | 1,513,994                   | 4,009,054          | 3,204,113                        |
| Accounts payable - other and others | 5,215,232                  | 5,353,959                         | 4,168,900                   | 872,323            | 312,736                          |
|                                     | ₩ 13,211,032               | 14,613,595                        | 6,047,045                   | 5,049,701          | 3,516,849                        |

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**28. Financial Risk Management, Continued**

(1) Financial risk management, Continued

3) Liquidity risk, Continued

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

(\*) Includes interest payables.

As of March 31, 2018, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

| <i>(In millions of won)</i> | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than<br/>5 years</b> |
|-----------------------------|----------------------------|-----------------------------------|-----------------------------|--------------------|------------------------------|
| Assets                      | ₩ 3,139                    | (4,454)                           | 7,550                       | 25,617             | (37,621)                     |
| Liabilities                 | (44,934)                   | (45,618)                          | (30,423)                    | (15,195)           |                              |
|                             | ₩ (41,795)                 | (50,072)                          | (22,873)                    | 10,422             | (37,621)                     |

(2) Capital management

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall capital management strategy of the Group is the same as that of the Group as of and for the year ended December 31, 2017.

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

Debt-equity ratio as of March 31, 2018 and December 31, 2017 are as follows:

| <i>(In millions of won)</i> | <b>March 31,<br/>2018</b> | <b>December 31, 2017</b> |
|-----------------------------|---------------------------|--------------------------|
| Total liabilities           | ₩ 16,146,565              | 15,399,474               |
| Total equity                | 19,987,823                | 18,029,195               |

|                    |        |        |
|--------------------|--------|--------|
| Debt-equity ratios | 80.78% | 85.41% |
|--------------------|--------|--------|

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**28. Financial Risk Management, Continued**

## (3) Fair value

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

| <i>(In millions of won)</i>                                      | Carrying<br>amount | March 31, 2018 |           |         | Total     |
|--|--------------------|----------------|-----------|---------|-----------|
|  |                    | Level 1        | Level 2   | Level 3 |           |
| <b>Financial assets that are measured at fair value</b>          |                    |                |           |         |           |
| FVTPL  | ₩ 1,498,440        |                | 1,100,904 | 397,536 | 1,498,440 |
| Derivative financial assets                                      | 3,139              |                | 3,139     |         | 3,139     |
| FVOCI  | 699,120            | 565,226        |           | 133,894 | 699,120   |
|  | ₩ 2,200,699        | 565,226        | 1,104,043 | 531,430 | 2,200,699 |
| <b>Financial liabilities that are measured at fair value</b>     |                    |                |           |         |           |
| FVTPL  | ₩ 60,566           |                | 60,566    |         | 60,566    |
| Derivative financial liabilities                                 | 44,934             |                | 44,934    |         | 44,934    |
|  | ₩ 105,500          |                | 105,500   |         | 105,500   |
| <b>Financial liabilities that are not measured at fair value</b> |                    |                |           |         |           |
| Borrowings   | ₩ 274,804          |                | 275,762   |         | 275,762   |
| Debentures   | 7,416,910          |                | 7,656,964 |         | 7,656,964 |
| Long-term payables - other                                       | 1,352,390          |                | 1,426,950 |         | 1,426,950 |
|  | ₩ 9,044,104        |                | 9,359,676 |         | 9,359,676 |

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**28. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2017 are as follows:

|  | Carrying<br>amount | December 31, 2017 |           |         | Total     |
|--|--------------------|-------------------|-----------|---------|-----------|
|  |                    | Level 1           | Level 2   | Level 3 |           |
| <b>Financial assets that are measured at fair value</b>          |                    |                   |           |         |           |
| Financial assets at fair value through profit or loss            | ₩ 328,314          |                   | 106,057   | 222,257 | 328,314   |
| Derivative financial assets                                      | 21,902             |                   | 21,902    |         | 21,902    |
| Available-for-sale financial assets                              | 734,487            | 589,202           | 47,383    | 97,902  | 734,487   |
|  | ₩ 1,084,703        | 589,202           | 175,342   | 320,159 | 1,084,703 |
| <b>Financial liabilities that are measured at fair value</b>     |                    |                   |           |         |           |
| Financial liabilities at fair value through profit or loss       | ₩ 60,278           |                   | 60,278    |         | 60,278    |
| Derivative financial liabilities                                 | 39,470             |                   | 39,470    |         | 39,470    |
|  | ₩ 99,748           |                   | 99,748    |         | 99,748    |
| <b>Financial liabilities that are not measured at fair value</b> |                    |                   |           |         |           |
| Borrowings   | ₩ 382,817          |                   | 383,748   |         | 383,748   |
| Debentures   | 7,025,909          |                   | 7,325,370 |         | 7,325,370 |
| Long-term payables - other                                       | 1,649,466          |                   | 1,766,451 |         | 1,766,451 |
|  | ₩ 9,058,192        |                   | 9,475,569 |         | 9,475,569 |

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

Available-for-sale financial assets amounting to ₩199,903 million as of December 31, 2017 are measured at cost in accordance with K-IFRS 1039 since they are equity instruments which do not have quoted price in an active market for the identical instruments and for which fair value cannot be reliably measured using other valuation methods.

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

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



SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**28. Financial Risk Management, Continued**

## (3) Fair value, Continued

Interest rates used by the Group for the fair value measurement as of March 31, 2018 are as follows:

|                            | <b>Interest rate</b> |
|----------------------------|----------------------|
| Derivative instruments     | 1.50 ~ 2.36%         |
| Borrowings and debentures  | 2.56 ~ 2.63%         |
| Long-term payables - other | 2.34 ~ 2.69%         |

- 3) There have been no transfers between Level 2 to Level 1 for the three-month period ended March 31, 2018 and changes of financial assets classified as Level 3 for the three-month period ended March 31, 2018 are as follows:

| <i>(In millions of won)</i>                              | <b>Balance at<br/>January 1,<br/>2018</b> | <b>Impact of<br/>adopting<br/>K-IFRS No.1109</b> | <b>Gain for the<br/>year</b> | <b>Other<br/>compre-<br/>loss</b> | <b>Acquisition</b> | <b>Disposal</b> | <b>Balance at<br/>March 31,<br/>2018</b> |
|--|---|--|------------------------------|-----------------------------------|--------------------|-----------------|--|
| Financial assets at fair value<br>through profit or loss | ₩ 222,257                                 | (222,257)  |                              |                                   |                    |                 |  |
| Available-for-sale financial<br>assets                   | 97,902                                    | (97,902)   |                              |                                   |                    |                 |  |
| FVTPL  |   | 391,515  | 8,184                        | (85)                              | 90                 | (2,168)         | 397,536                                  |
| FVOCI  |   | 129,455  |                              | (306)                             | 6,478              | (1,733)         | 133,894                                  |
|  | ₩ 320,159                                 | 200,811  | 8,184                        | (391)                             | 6,568              | (3,901)         | 531,430                                  |

## (4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2018 and December 31, 2017 are as follows:

**March 31, 2018**

*(In millions of won)*

|                                      | <b>Gross financial instruments recognized</b> | <b>Amount offset</b> | <b>Net financial instruments presented on the statement of financial position</b> | <b>Relevant financial instruments not offset</b> | <b>Net amount</b> |
|--------------------------------------|---|----------------------|---|--|-------------------|
| <b>Financial assets:</b>             |   |                      |   |  |                   |
| Derivatives(*)                       | ₩ 11,959                                      |                      | 11,959  | (11,959)   |                   |
| Accounts receivable trade and others | 90,633  | (90,109)             | 524   |  | 524               |
|                                      | ₩ 102,592                                     | (90,109)             | 12,483  | (11,959)   | 524               |
| <b>Financial liabilities:</b>        |   |                      |   |  |                   |
| Derivatives(*)                       | ₩ 25,405                                      |                      | 25,405  | (11,959)   | 13,446            |
| Accounts payable - other and others  | 90,109  | (90,109)             |   |  |                   |
|                                      | ₩ 115,514                                     | (90,109)             | 25,405  | (11,959)   | 13,446            |

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**28. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement, Continued

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2018 and December 31, 2017 are as follows, Continued:

| <i>(In millions of won)</i>          | Gross financial instruments recognized | Amount offset | December 31, 2017  |   | Net amount |
|--------------------------------------|--|---------------|--|---|------------|
|                                      |  |               | Net financial instruments presented on the statement of financial position | Relevant financial instruments not offset |            |
| <b>Financial assets:</b>             |  |               |  |   |            |
| Derivatives(*)                       | ₩ 26,645                               |               | 26,645   | (19,875)                                  | 6,770      |
| Accounts receivable trade and others | 93,146                                 | (92,409)      | 737  |   | 737        |
|                                      | ₩ 119,791                              | (92,409)      | 27,382   | (19,875)                                  | 7,507      |
| <b>Financial liabilities:</b>        |  |               |  |   |            |
| Derivatives(*)                       | ₩ 19,875                               |               | 19,875   | (19,875)                                  |            |
| Accounts payable other and others    | 92,409                                 | (92,409)      |  |   |            |
|                                      | ₩ 112,284                              | (92,409)      | 19,875   | (19,875)                                  |            |

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

**29. Transactions with Related Parties**

(1) List of related parties

| Relationship                | Company               |
|-----------------------------|-----------------------|
| Ultimate Controlling Entity | SK Holdings Co., Ltd. |

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|                |   |
|----------------|---|
| Joint ventures | Dogus Planet, Inc. and 3 others   |
| Associates     | SK hynix Inc. and 39 others   |
| Others         | The Ultimate Controlling Entity's other subsidiaries and associates, etc. |

For the periods presented, the Group belongs to SK Group, a conglomerate as defined in the *Monopoly Regulation and Fair Trade Act of the Republic of Korea*. All of the other entities included in SK Group are considered related parties of the Group.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

## (2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management. The compensation given to such key management for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>    | <b>For the three-month period ended</b> |                       |
|--------------------------------|---|-----------------------|
|                                | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Salaries                       | ₩ 2,737                                 | 1,168                 |
| Defined benefits plan expenses | 557                                     | 7                     |
| Share option                   | 139                                     | 12                    |
|                                | ₩ 3,433                                 | 1,187                 |

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

## (3) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i> | <b>Company</b>            | <b>For the three-month period ended</b> |                     |                       |
|-----------------------------|---------------------------|---|---------------------|-----------------------|
|                             |                           | <b>March 31, 2018</b>                   |                     | <b>Acquisition of</b> |
| <b>Scope</b>                |                           | <b>Operating revenue</b>                | <b>expenses and</b> | <b>property</b>       |
|                             |                           | <b>and others</b>                       | <b>others</b>       | <b>and</b>            |
|                             |                           |   |                     | <b>equipment</b>      |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*1) | ₩ 5,546                                 | 282,162             | 3,628                 |
| Associates                  | F&U Credit information    |   |                     |                       |
|                             | Co., Ltd.                 | 672                                     | 13,647              |                       |
|                             | HappyNarae Co., Ltd.      | 134                                     | 3,825               | 5,684                 |
|                             | SK hynix Inc.(*2)         | 153,104                                 | 28                  |                       |
|                             | KEB HanaCard Co., Ltd.    | 4,032                                   | 4,031               |                       |
|                             | Others                    | 314                                     | 15,020              |                       |
|                             |                           | 158,256                                 | 36,551              | 5,684                 |

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|       |   |           |         |        |
|-------|---|-----------|---------|--------|
| Other | SK Engineering & Construction Co., Ltd. | 797       | 221     |        |
|       | SK Innovation Co., Ltd                  | 3,146     | 181     |        |
|       | SK Networks Co., Ltd.                   | 3,887     | 284,667 |        |
|       | SK Networks Services Co., Ltd.          | 184       | 23,038  | 255    |
|       | SK Telesys Co., Ltd.                    | 86        | 2,207   | 7,623  |
|       | SK TNS CO., LTD.                        | 33        | 1,107   | 21,354 |
|       | Others                                  | 9,113     | 28,185  | 5,424  |
|       |   | 17,246    | 339,606 | 34,656 |
|       |   | ₩ 181,048 | 658,319 | 43,968 |

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

(\*2) Operating revenue and others include ₩146,100 million of dividends declared by the associates which was deducted from the investment in associates.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (3) Transactions with related parties for the three-month periods ended March 31, 2018 and 2017 are as follows, Continued:

| <i>(In millions of won)</i> |   | <b>For the three-month period ended<br/>March 31, 2017</b> |  |  |
|-----------------------------|---|--|--|--|
|                             |   | <b>Operating revenue<br/>and<br/>others</b>                | <b>Operating<br/>expenses and<br/>others</b> | <b>Acquisition of<br/>property<br/>and<br/>equipment</b> |
| <b>Scope</b>                | <b>Company</b>                          |  |  |  |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*1)               | ₩ 5,626  | 277,276                                      | 58,552   |
| Associates                  | F&U Credit information Co., Ltd.        | 673  | 14,257                                       |  |
|                             | HappyNarae Co., Ltd.                    | 2,606  | 7,420  | 2,931  |
|                             | SK hynix Inc.(*2)                       | 92,550   | 32   |  |
|                             | KEB HanaCard Co., Ltd.                  | 4,597  | 3,686  |  |
|                             | Others                                  | 1,241  | 21,386                                       |  |
|                             |   | 101,667  | 46,781                                       | 2,931  |
| Other                       | SK Engineering & Construction Co., Ltd. | 895  | 219  |  |
|                             | SK Networks Co., Ltd.                   | 4,074  | 244,670                                      |  |
|                             | SK Networks Services Co., Ltd.          | 45   | 22,779                                       | 1,234  |
|                             | SK Telesys Co., Ltd.                    | 101  | 6,723  | 18,080   |
|                             | SK Energy Co., Ltd.                     | 840  | 134  |  |
|                             | SK Innovation Co., Ltd                  | 10,994   | 181  |  |
|                             | SK TNS CO., LTD.                        | 32   | 297  | 24,378   |
|                             | Others                                  | 6,194  | 29,491                                       | 8,702  |
|                             |   | 23,175   | 304,494                                      | 52,394   |
|                             |   | ₩ 130,468  | 628,551                                      | 113,877  |

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

(\*2) Operating revenue and others include ₩87,660 million of dividends declared by the associates which was deducted from the investment in associates.





## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

(4) Account balances with related parties as of March 31, 2018 and December 31, 2017 are as follows:

| Scope                       | Company  | Loans  | March 31, 2018                 |                             |
|-----------------------------|--|--------|--------------------------------|-----------------------------|
|                             |  |        | Accounts receivable and others | Accounts payable and others |
| <i>(In millions of won)</i> |  |        |                                |                             |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.                          | ₩      | 11,321                         | 231,458                     |
| Associates                  | HappyNarae Co., Ltd.                           |        | 383                            | 3,429                       |
|                             | F&U Credit information Co., Ltd.               |        | 88                             | 1,099                       |
|                             | SK hynix Inc.                                  |        | 151,110                        |                             |
|                             | Wave City Development Co., Ltd.                |        | 38,412                         |                             |
|                             | Daehan Kanggun BcN Co., Ltd.(*)                | 22,147 |                                |                             |
|                             | KEB HanaCard Co., Ltd.                         |        | 1,360                          | 10,059                      |
|                             | S.M. Culture & Contents Co.,Ltd.               |        |                                | 2,138                       |
|                             | Xian Tianlong Science and Technology Co., Ltd. | 7,032  |                                |                             |
|                             | Others   | 611    | 2,056                          | 31                          |
|                             |  | 29,790 | 193,409                        | 16,756                      |
| Other                       | SK Engineering & Construction Co., Ltd.        |        | 772                            | 1                           |
|                             | SK Networks. Co., Ltd.                         |        | 3,271                          | 210,992                     |
|                             | SK Networks Services Co., Ltd.                 |        |                                | 7,663                       |
|                             | SK Telesys Co., Ltd.                           |        | 36                             | 4,297                       |
|                             | SK TNS Co., Ltd.                               |        | 8                              | 19,796                      |
|                             | SK Innovation Co., Ltd.                        |        | 2,383                          | 496                         |
|                             | SK Energy Co., Ltd.                            |        | 1,014                          | 237                         |
|                             | SK Gas Co., Ltd.                               |        | 1,587                          | 9                           |
|                             | Others   |        | 9,765                          | 16,465                      |
|                             |  |        | 18,836                         | 259,956                     |

₩ 29,790      223,566      508,170

(\* ) As of March 31, 2018, the Parent Company recognized full loan loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (4) Account balances with related parties as of March 31, 2018 and December 31, 2017 are as follows,  
Continued:

|                             |  | <b>December 31, 2017</b> |                                       |                                    |
|-----------------------------|--|--------------------------|---------------------------------------|------------------------------------|
|                             |  | <b>Loans</b>             | <b>Accounts receivable and others</b> | <b>Accounts payable and others</b> |
| <i>(In millions of won)</i> |  |                          |                                       |                                    |
| <b>Scope</b>                | <b>Company</b>                                 |                          |                                       |                                    |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.                          | ₩                        | 2,068                                 | 148,066                            |
| Associates                  | HappyNarae Co., Ltd.                           |                          | 15                                    | 6,865                              |
|                             | F&U Credit information Co., Ltd.               |                          | 21                                    | 1,612                              |
|                             | SK hynix Inc.                                  |                          | 2,803                                 | 94                                 |
|                             | Wave City Development Co., Ltd.                |                          | 38,412                                |                                    |
|                             | Daehan Kanggun BcN Co., Ltd.(*)                | 22,147                   |                                       |                                    |
|                             | KEB HanaCard Co., Ltd.                         |                          | 1,427                                 | 11,099                             |
|                             | S.M. Culture & Contents Co., Ltd.              |                          | 448                                   | 8,963                              |
|                             | Xian Tianlong Science and Technology Co., Ltd. | 7,032                    |                                       |                                    |
|                             | Others   | 611                      | 2,272                                 | 1,164                              |
|                             |  | 29,790                   | 45,398                                | 29,797                             |
| Other                       | SK Engineering & Construction Co., Ltd.        |                          | 2,033                                 | 69                                 |
|                             | SK Networks. Co., Ltd.                         |                          | 3,050                                 | 267,297                            |
|                             | SK Networks Services Co., Ltd.                 |                          | 15                                    | 9,522                              |
|                             | SK Telesys Co., Ltd.                           |                          | 36                                    | 58,346                             |
|                             | SK TNS Co., Ltd.                               |                          | 3                                     | 140,311                            |
|                             | SK Innovation Co., Ltd.                        |                          | 4,112                                 | 599                                |
|                             | SK Energy Co., Ltd.                            |                          | 2,965                                 | 582                                |
|                             | SK Gas Co., Ltd.                               |                          | 1,941                                 | 9                                  |
|                             | Others   |                          | 2,998                                 | 27,318                             |

|       |          |        |         |
|-------|----------|--------|---------|
|       |          | 17,153 | 504,053 |
| Total | ₩ 29,790 | 64,619 | 681,916 |

- (\*) As of December 31, 2017, the Parent Company recognized full loan loss allowance for the balance of loans to Daehan Kanggun BcN Co., Ltd.
- (5) SK m&service Co., Ltd., a subsidiary of the Parent Company, has entered into a service agreement with SK Energy Co., Ltd. and provided a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (6) As of March 31, 2018, the Group provides USD14,377,300 of payment guarantees in connection with the borrowings of Celcom Planet, a joint venture of the Group.

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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### 30. Commitments and Contingencies

#### (1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases of buildings to secure lease payments up to ₩4,144 million as of March 31, 2018.

SK Broadband Co., Ltd. has guaranteed the payment of employees' borrowings relating to employee stock ownership program and provided short-term financial instruments amounting to ₩263 million as collateral as of March 31, 2018.

#### (2) Legal claims and litigations

As of March 31, 2018, the Group is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. In connection with these legal claims and litigation for which no provision was recognized, management does not believe the Group has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

#### (3) Accounts receivables from sale of handsets

The dealers of the Parent Company sell handsets to the Parent Company's wireless subscribers on an installment basis. During the three-month period ended March 31, 2018, the Parent Company entered into a comprehensive agreement to purchase the accounts receivables from handset sales with dealers and to transfer the accounts receivables from handset sales to special purpose companies which were established with the purpose of liquidating receivables, respectively.

The accounts receivables from sale of handsets amounting to ₩1,050,658 million as of March 31, 2018 which the Parent Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable other and long-term accounts receivable other.

## SK TELECOM CO., LTD. and Subsidiaries

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

**31. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Interest income  | ₩ (16,920)                              | (25,280)              |
| Dividend   | (15,142)                                | (10,151)              |
| Gain on foreign currency translations                              | (558)                                   | (7,175)               |
| Gain on disposal of long-term investments securities               |   | (2,269)               |
| Gain on valuation of derivatives                                   | (319)                                   | (355)                 |
| Gain on sale of accounts receivable - other                        | (3,749)                                 | (5,025)               |
| Gain relating to investments in associates and joint ventures, net | (626,643)                               | (379,961)             |
| Gain on disposal of property, equipment and intangible assets      | (2,157)                                 | (4,524)               |
| Gain relating to financial assets at FVTPL                         | (9,502)                                 |                       |
| Other income   | (204)                                   | (20)                  |
| Interest expenses  | 75,115                                  | 74,420                |
| Loss on foreign currency translations                              | 480                                     | 9,633                 |
| Loss on disposal of long-term investments securities               |   | 49                    |
| Loss on sale of accounts receivable - other                        | 2,458                                   | 2,518                 |
| Income tax expense   | 213,618                                 | 140,739               |
| Expense related to defined benefit plan                            | 31,781                                  | 29,114                |
| Share option   | 139                                     | 12                    |
| Depreciation and amortization                                      | 823,908                                 | 794,643               |
| Bad debt for accounts receivable - trade                           | 9,820                                   | 6,511                 |
| Loss on disposal of property and equipment and intangible assets   | 3,068                                   | 10,127                |
| Impairment loss on property and equipment and intangible assets    | 903                                     | 2,194                 |
| Bad debt for accounts receivable - other                           | 3,714                                   | 2,706                 |
| Loss related to financial assets at FVTPL                          | 400                                     |                       |
| Loss related to financial liabilities at FVTPL                     | 288                                     | 331                   |
| Loss on impairment of investment assets                            | 455                                     | 2,447                 |
| Other expenses   | 4,648                                   | 1,507                 |

|   |         |         |
|---|---------|---------|
| ₩ | 495,601 | 642,191 |
|---|---------|---------|

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2018 and 2017

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

- (2) Changes in assets and liabilities from operating activities for the three-month periods ended March 31, 2018 and 2017 are as follows:

| <i>(In millions of won)</i>           | <b>For the three-month period ended</b> |                       |
|---------------------------------------|---|-----------------------|
|                                       | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Accounts receivable trade             | ₩ 29,989                                | 61,060                |
| Accounts receivable other             | (89,187)                                | 286,134               |
| Accrued income                        | (677)                                   | 82                    |
| Advance payments                      | 9,643                                   | 350                   |
| Prepaid expenses                      | 3,261                                   | (833)                 |
| Value-Added Tax refundable            | 5,667                                   | 3,396                 |
| Inventories                           | 18,103                                  | 11,513                |
| Long-term accounts receivable - other | 154,185                                 | 80,062                |
| Contract assets                       | 17,891                                  |                       |
| Guarantee deposits                    | 5,908                                   | 7,654                 |
| Accounts payable trade                | (112,866)                               | (92,671)              |
| Accounts payable other                | (221,714)                               | (467,796)             |
| Advanced receipts                     |   | (11,573)              |
| Withholdings                          | 181,981                                 | 86,558                |
| Contract liabilities                  | 3,042                                   |                       |
| Deposits received                     | (1,176)                                 | (220)                 |
| Accrued expenses                      | (161,782)                               | (162,111)             |
| Value-Added Tax payable               | 23,236                                  | 19,417                |
| Unearned revenue                      |   | (3,282)               |
| Provisions                            | (279)                                   | 926                   |
| Long-term provisions                  | 724                                     | (2,887)               |
| Plan assets                           | 13,727                                  | 10,914                |
| Retirement benefit payment            | (14,562)                                | (14,507)              |
| Others                                | (3,519)                                 | (665)                 |
|                                       | <b>₩ (138,405)</b>                      | <b>(188,479)</b>      |

- (3) Significant non-cash transactions for the three-month periods ended March 31 2018 and 2017 are as follows:



| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2018</b>                   | <b>March 31, 2017</b> |
| Decrease in accounts payable - other relating to the acquisition of property and equipment and intangible assets | (471,595)                               | (414,885)             |

SK TELECOM CO., LTD. and Subsidiaries

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**32. Subsequent Events**

On May 8, 2018, the Group entered into a contract to acquire 740,895 shares of Siren Holdings Korea Co., Ltd. at ₩702,000 million in cash in order to strengthen the security business and expand customer base for Home business. This contract requires Siren Holdings Korea Co., Ltd. to merge Siren Investments Korea Co., Ltd. which wholly owns ADT Caps Co., Ltd. as a prerequisite. At the conclusion of this acquisition, the Group expects to own 55% ownership interests of Siren Holdings Korea Co., Ltd. and will obtain control over ADT Caps Co., Ltd. The acquisition transaction is subject to government's approval.