

SK TELECOM CO LTD
Form 6-K
September 14, 2018
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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 SEPTEMBER 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)

(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):
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SEMI-ANNUAL BUSINESS REPORT

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

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

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

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

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

Table of Contents**I. COMPANY OVERVIEW****1. Company Overview**

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

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

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groovers Japan Co., Ltd.	Feb. 25, 2015	Contents and information distribution	1,232
S.M. Life Design Company Japan Inc.	June 25, 2008	Japanese merchandise business	6,366
S.M. Mobile Communications JAPAN Inc.	May 6, 2016	Contents and information distribution	125
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment (holding company)	43,290
SK Global Healthcare Business Group, Ltd.	Sept. 14, 2012	Investment (SPC)	14,033
SK Planet Japan, K. K.	Mar. 14, 2012	Digital contents sourcing services	2,945
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	4,135

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

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

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

∅ On April 6, 2017, NSOK Co., Ltd. changed its name to NSOK Co., Ltd. from Neosnetworks Co., Ltd. Changes in subsidiaries during the six months ended June 30, 2018 are set forth below.

Change	Name	Remarks
Additions	FSK L&S Co., Ltd.	Newly acquired by the Company
	FSK L&S (Shanghai) Co., Ltd.	Newly acquired by the Company
	SK Telecom Japan Inc.	Newly established by the Company

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	Groovers Co., Ltd.	Iriver Ltd. acquired control by acquiring additional shares during this period
	id Quantique Ltd.	Newly acquired by the Company
Subtractions	11street (Thailand) Co., Ltd.	Disposed of invested shares
	HelloNature Co., Ltd.	Lost control due to capital increase through a third-party allotment

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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.

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(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.

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(1) Corporate bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
February 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 27, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
May 11, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
May 12, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating

February 6, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 10, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 11, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 16, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 29, 2018	Hybrid securities	AA+ (Stable)	Korea Ratings	Current rating

- * Rating definition: AAA - The certainty of principal and interest payment is at the highest level with extremely low investment risk and is stable such that it will not be influenced by reasonably foreseeable changes in external factors.
- * Rating definition: AA - The certainty of principal and interest payment is extremely high with very low investment risk, but has slightly inferior factors compared to AAA rating.

(2) Commercial paper (CP)

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

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Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
October 26, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	Short-term bond	A1	Korea Ratings	Regular rating
November 3, 2016	CP	A1	Korea Investors Service, Inc.	Regular rating
November 3, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
April 12, 2017	CP	A1	Korea Ratings	Current rating
April 12, 2017	CP	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 12, 2017	Short-term bond	A1	Korea Ratings	Current rating
April 12, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
October 30, 2017	CP	A1	Korea Ratings	Regular rating
October 30, 2017	CP	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 30, 2017	Short-term bond	A1	Korea Ratings	Regular rating
October 30, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
April 10, 2018	CP	A1	Korea Investors Service, Inc.	Current rating
April 10, 2018	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 11, 2018	CP	A1	Korea Ratings	Current rating
April 11, 2018	Short-term bond	A1	Korea Ratings	Current rating
April 16, 2018	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 16, 2018	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating

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

(3) International credit ratings

Date of credit rating	Subject of rating	Credit rating of securities	Credit rating company	Rating type
March 30, 2016	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
July 20, 2016	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
October 24, 2016	Bonds denominated in foreign currency	A- (Stable)	Fitch Inc.	Regular rating
October 23, 2017	Bonds denominated in foreign currency	A- (Stable)	Fitch Inc.	Regular rating
April 8, 2018	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Current rating
April 9, 2018	Bonds denominated in foreign currency	A3 (Stable)	Moody's Investors Service	Current rating
May 8, 2018	Bonds denominated in foreign currency	A- (Stable)	Standard & Poor's Rating Services	Regular rating
May 10, 2018	Bonds denominated in foreign currency	A3 (Negative)	Moody's Investors Service	Regular rating

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

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

2. Company History

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

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

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

A. Location of Headquarters

22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)

16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)

267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)

99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)

65 Euljiro, Jung-gu, Seoul (December 13, 2004)

B. Significant Changes in Management

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

Hoon Lee and Jae Hyeon Ahn were re-elected as independent directors and members of the audit committee and Jung Ho Ahn was elected as an independent director. At the 34th General Meeting of Shareholders held on March 21, 2018, Young Sang Ryu was elected as an inside director and Youngmin Yoon was elected as an independent director and member of the audit committee of the Company's board of directors.

C. Change in Company Name

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

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

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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 Shenzen E-Eye shares

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

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

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

(8) SK Broadband - Comprehensive Share Exchange

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

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

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Shares exchanged: 2,471,883 registered common shares of SK Telecom

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

Announcement date for the proceeding of the Share Exchange as a small-scale share swap: April 6, 2015

Meeting of board of directors for approval of the Share Exchange: May 6, 2015

Date of the Share Exchange: June 9, 2015

(9) Establishment of Entrix Co., Ltd.

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

(10) Additional capital raise by NanoEnTek Inc.

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

(11) Reclassification of Packet One Networks accounts

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

(12) Acquisition of shares of SK Communications Co., Ltd. (SK Communications)

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

(13) Acquisition of shares of CJ HelloVision Co., Ltd. (CJ HelloVision)

On November 2, 2015, the Company's board of directors resolved to approve the acquisition of CJ HelloVision's shares from CJ O Shopping Co., Ltd. (CJ O Shopping) and on the same day, entered into a share purchase agreement with CJ

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

(14) Tender offer of shares of CJ HelloVision

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

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

In March 2016, SK Planet spun off its platform business and T Store business and established SK TechX and Onestore. The Company exchanged 12,323,905 shares of SK Planet for 6,323,905 shares of SK TechX and 6,000,000 shares of Onestore at the time of the spin-off. The Company later acquired an additional 4,409,600 shares of Onestore at a purchase price of Won 22 billion by participating in the follow-on rights offering. The Company did not participate in the subsequent follow-on rights offering and as of June 30, 2018, the Company had a 65.5% interest in Onestore.

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(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 Finnq officially launched in the third quarter of 2017.

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

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

(19) Acquisition of shares of SM Mobile Communications

In October 2016, the Company transferred the media platform businesses Hotzil and 5Ducks to SM Mobile Communications in exchange for 1,200,000 shares of SM Mobile Communications. As a result, the Company owned a 46.2% equity interest in SM Mobile Communications as of June 30, 2018.

(20) Exchange of shares of SK Communications

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

(21) Acquisition of shares of Iriver Ltd.

The Company acquired 4,699,248 shares of its subsidiary Iriver Ltd. at a purchase price of Won 5,320 in connection with a capital contribution. The Company's equity interest in Iriver Ltd. following the acquisition is 45.9%. See Report

on Important Business Matters (Decision on Capital Increase) filed on July 17, 2017 by Iriver Ltd. for more information.

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

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(23) Exchange of shares of SK Telink

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

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

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

(25) Acquisition of shares of id Quantique SA

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

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

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

[SK Broadband]

(1) Share Exchange

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

(2) Merger among Subsidiaries and Affiliates

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

(3) Merger with CJ HelloVision

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

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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.

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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.

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

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

[SK Telink]

(1) Acquisition of shares of NSOK

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

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

(2) Comprehensive exchange of shares

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

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

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

[SK Communications]

(1) Disposition of the Cyworld service

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

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(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.

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(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).

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

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

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

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

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

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

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

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

(2) Issuance of hybrid securities

In June 2018, the Company issued an aggregate of Won 400 billion principal amount of hybrid securities in the form of two series of unguaranteed subordinated bonds, Won 300 billion of which have an annual interest rate of 3.70% and Won 100 billion of which have an annual interest rate of 3.65%. Both of such interest rates are based on the five-year Korean government bond yield plus a spread. For both series of the hybrid securities, an additional spread of 0.25% is payable beginning ten years from the date of issuance and an additional spread of 0.75% is payable after 25 years from the date of issuance. The Company classified the hybrid securities as equity, as there is no contractual obligation to deliver financial assets to the bondholders. The hybrid securities are subordinated bonds which take priority over common shares upon bankruptcy or liquidation. The maturity date of the hybrid securities is June 7, 2078, which can be extended by the Company without any notice or announcement.

Table of Contents**[SK Broadband]**

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

3. Total Number of Shares**A. Total Number of Shares**

(As of June 30, 2018)

(Unit: in shares)

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

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of June 30, 2018)

(Unit: in shares)

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

4. Status of Voting Rights

(As of June 30, 2018)

(Unit: in shares)

Classification	Number of shares	Remarks
Total shares (A)	Common share	80,745,711

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

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5. Dividends and Others

A. Dividends

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

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

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

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

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

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

- (5) Distribution of cash dividends was approved during the 34th General Meeting of Shareholders held on March 21, 2018.

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

- (6) Distribution of interim dividends of Won 1,000 was approved during the 416th Board of Directors Meeting on July 26, 2018.

Table of Contents**B. Dividends for the Last Three Fiscal Years**

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

Classification	As of and for the six months ended June 30, 2018	As of and for the year ended December 31, 2017	As of and for the year ended December 31, 2016
Par value per share (Won)	500	500	500
(Consolidated) Net income	1,611,611	2,599,829	1,675,967
Net income per share (Won)	22,705	36,582	23,497
 Total cash dividend	 70,609	 706,091	 706,091
 Total stock dividends			
(Consolidated)			
Percentage of cash dividend to available income (%)	4.4	27.2	42.1
Cash dividend yield ratio (%)	0.4	3.6	4.3
Stock dividend yield ratio (%)			
 Cash dividend per share (Won)	 1,000	 10,000	 10,000
Stock dividend per share (share)			

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

Table of Contents**II. BUSINESS****1. Business Overview**

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

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

Classification	Company name	Description of business
Wireless	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	Network O&S Co., Ltd.	Maintenance of switching stations
	Service Ace Co., Ltd	Management and operation of customer centers
Fixed-line	SK Broadband Co., Ltd.	High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents
		Various media-related services, such as channel management, including video on demand, and mobile IPTV services
	SK Telink Co., Ltd.	International wireless direct-dial 00700 services, voice services using Internet protocol and Mobile Virtual Network Operator (MVNO) business
	Home & Service Co., Ltd.	System maintenance of high-speed Internet, IPTV and fixed-line services
Other business	SK Planet Co., Ltd.	Various platform services such as 11st, Syrup, OK Cashbag in the commerce area

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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

Table of Contents**[Wireless Business]****A. Industry Characteristics**

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

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

In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized. Since June 2017, through the commercialization of 5band CA technology, which is considered the final stage of LTE development, the Company has provided 4.5G service at the speed of 700Mbps to 900Mbps. Since early 2018, the Company was the first to start providing LTE service with a speed of up to 1 Gbps. Such achievements were the building blocks towards the Company's LTE penetration reaching 78.1% as of June 30, 2018.

B. Growth Potential

Classification	(Unit: in 1,000 persons)		
	As of June 30, 2018	As of December 31, 2017	As of December 31, 2016
Number of subscribers			
SK Telecom	27,221	26,753	26,428
Others (KT, LGU+)	29,253	28,375	27,018
MVNO	7,825	7,523	6,841
Total	64,299	62,651	60,287

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

C. Domestic and Overseas Market Conditions

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

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

Classification	(Unit: in percentages)			
	As of June 30,	As of December 31,		
	2018	2017	2016	2015
Mobile communication services	47.78	48.20	49.09	49.41

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

Table of Contents**D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the second quarter of 2018, the Company recorded Won 4,154 billion in revenue and Won 347 billion in operating income on a consolidated basis and Won 2,942 billion in revenue and Won 368 billion in operating income on a separate basis. In particular, the number of subscribers subscribing to Band Data plans, which was launched in the second quarter of 2015, has continued to steadily increase in 2017, which in turn led to an increase in data usage. The success of Luna, a smartphone launched in September 2015 that was designed to run exclusively on the Company's networks, led to the launch of various other relatively low-priced devices and became an example of successfully targeting a niche market.

By continuing to be innovative in developing core competencies, the Company has more firmly established its position as the market leader in wireless telecommunications. The competitive environment of the wireless telecommunications industry has become more focused on retention especially through the reinforcement of marketing that is focused on innovation in increasing customer value. In the second quarter of 2018, the average monthly churn rate was 1.2%. The number of subscribers (including MVNO subscribers) as of June 30, 2018 was 30.7 million, an increase of approximately 520,000 since December 31, 2017. In particular, the number of LTE subscribers as of June 30, 2018, was 24.0 million, an increase of approximately 1,120,000 since December 31, 2017, solidifying the Company's market leadership. In addition, the Company continued to sell products targeted towards second devices such as the Cookiz Phone, T Outdoor and T Pocket-fi, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.

Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. The Company launched tri-band LTE-A services in December 2014 and 5band 4.5G services in June 2017. In the first quarter of 2018, the Company commenced providing LTE service of up to 1 Gbps by utilizing five-band carrier aggregation technology and 4T4R technology. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services and full high definition mobile IPTV streaming services, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea's top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 21 years, 20 years and 18 years, respectively. The Company received the highest level of evaluation in 2017 by the Korea Commission for Corporate Partnership for the sixth consecutive year and was selected for the commission's Honored Corporation Award, demonstrating the Company's efforts to be fair and law-abiding in its path towards creating a New ICT ecosystem.

SK Telink, a consolidated subsidiary of the Company, expanded its operations to the MVNO business based on its technical expertise and know-how obtained in its international telecommunications business and launched its MVNO service, SK 7Mobile, which is offered at reasonable rates and provides excellent quality. SK Telink is increasing its efforts to develop low-cost distribution channels and create niche markets through targeted marketing towards customers including foreign workers, middle-aged adults and students. An MVNO leases the networks of an MNO and provides wireless telecommunication services under its own brand and fee structure, without owning telecommunication networks or frequencies.

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

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

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

* Source: MSIT website.

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

C. Cyclical Nature and Seasonality

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

D. Market Shares

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

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

* Source: MSIT website.

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

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

Table of Contents**E. Business Overview and Competitive Strengths**

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

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

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

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

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

[Other Business]

A. Industry Characteristics

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

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

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

B. Growth Potential

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

C. Domestic and Overseas Market Conditions

(1) Commerce markets

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

(2) Digital contents

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

D. Business Overview and Competitive Strengths

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

(1) Commerce business

11st, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market. Furthermore, 11st has established itself as the domestic market leader in mobile commerce, following its successful entry into and rapid growth in this market. Growth plans involving overseas joint ventures based on 11st's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2017, which has been actively engaged in such business since then.

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

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

(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. In September 2016, the Company launched T-Map x NUGU, which provides a new form of intelligent car infotainment service in collaboration with the Company's artificial intelligence (AI) service, NUGU. The Company has continued to secure subscribers by differentiating its product T-map x NUGU as a unique artificial intelligence driving assistant. The Company has also focused on providing effective info-tainment platforms to commercial vehicle businesses as well as providing localized content, including region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

(3) Digital contents

Onestore, an application platform launched in 2016 through a joint venture between SK Telecom, KT, LG U+ and Naver's app store, launched Onestore 2.0, which showcases the particular benefits of the application platform. The Company intends to further develop Onestore into a personalized gateway and mobile playground through enhanced product and brand competitiveness, expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

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

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

2. Updates on Major Products and Services

(Unit: in millions of Won and percentages)

				Consolidated
Business	Major Companies	Item	Major Trademarks	Sales Amount (ratio)
Wireless	SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T, Band Data and others	6,248,843(75%)
Fixed-line	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, SK 7mobile and others	1,407,792 (17%)
Other	SK Planet Co., Ltd., SK TechX Co., Ltd., Onestore Co., Ltd., SK Communications Co., Ltd., M&Service Co., Ltd., SKP America, LLC, Shopkick Mgmt. Co., Ltd.	Internet portal service and e-commerce	11st, OK Cashbag, NATE, Onestore and others	679,226 (8%)
Total				8,335,861 (100%)

Table of Contents**[Wireless Business]**

As of June 30, 2018, based on the Company's standard monthly subscription plan, the basic service fee was Won 12,100 and the usage fee was Won 1.98 per second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate business services and other services for both individual and corporate customers. As of June 30, 2018, SK Broadband's revenue (on a consolidated basis) comprised of 26.3% broadband Internet, 2.2% home telephony services, 32.1% corporate business services, 38.2% TV services and 1.2% other telecommunications services. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long term contracts, changes in equipment costs and competition between companies.

[Other Business]

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

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

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

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Expected Amount investment already made	Future investment
Network/Common	Upgrade/ New installation	Six months ended June 30, 2018	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	4,980
Total					21,000*	4,980

* On February 5, 2018, the Company disclosed its 2018 capital expenditure budget.

Table of Contents**B. Future Investment Plan**

(Unit: in 100 millions of Won)

Business	Expected investment amount Asset type	Amount	Expected investment for each 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
Total		21,000	21,000	To be determined	To be determined	

[Fixed-line Business]**A. Investment in Progress**

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

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Amount already invested	Future investment
High-speed Internet				Expand subscriber networks and facilities	822	
Fixed-line telephone IPTV					8 616	
Corporate Business	Upgrade/ New installation	Six months June 30, 2018	Backbone and subscriber network/ others	Increase leased-line and integrated information system	423	To be determined
Backbone network				Additional backbone equipment and lines	91	
IT infrastructure				Upgrade IT infrastructure and network management system	47	

Others	Increase network equipment and NW security	65
Total		2,072

4. Revenues

(Unit: in millions of Won)

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

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

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(Unit: in millions of Won)

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

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

Currency swap contracts under cash flow hedge accounting as of June 30, 2018 are as follows:

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and four other banks	Jul. 20, 2007 Jul. 20, 2027
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S.	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013

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

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

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

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

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

6. Major Contracts

[SK Telecom]

Not applicable.

[SK Broadband]

Due to the nature of the telecommunication service business, SK Broadband has entered into agreements related to the joint usage of telecommunication facilities for interconnection among telecommunication lines conduits and telecommunication service providers. Below are the major contracts of SK Broadband. In addition to the below, SK Broadband has also entered into various real estate rental agreements.

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Counterparty	Contract Contents	Contract Period	Note
Telecommunication service providers	Interconnection among telecommunication service providers		Automatically renewed for two years at a time unless specific amendments are requested
KEPCO	Provision of electric facilities	From Nov. 2016 to Nov. 2018 (Unless special reasons arise, the usage period will be renewed annually)	Use of electricity poles
Busan Transportation Corporation	Use of telecommunication line conduits	From Aug. 2017 to Jul. 2019	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From Jan. 2018 to Dec. 2020	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (currently in discussion to decide usage unit price, future plans to enter into a contract)	Use of railway telecommunication conduit (Serviced areas to expand)

[SK Communications]

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

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

7. R&D Investments

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

(Unit: in millions of Won except percentages)

Category	For the six months			Remarks
	ended June 30, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016	
Raw material	82	1,261	659	

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

8. Other information relating to investment decisions

A. Trademark Policies

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

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B. Business-related Intellectual Property

[SK Telecom]

As of June 30, 2018, the Company held 4,720 Korean-registered patents and 1,476 foreign-registered patents. The Company holds 731 Korean-registered trademarks and owns intellectual property rights to its proprietary graphic design of the alphabet T representing its brand. The designed alphabet T is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to constant change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

[SK Broadband]

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

[SK Planet]

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

[SK Communications]

As of June 30, 2018, SK Communications held 93 registered patents, 26 registered design rights and 506 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

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

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

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

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

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

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Non-controlling Interests	203,762	187,056	145,031
Total Equity	20,908,749	18,029,195	16,116,430
Total Liabilities and Equity	36,336,757	33,428,669	31,297,663
Number of Companies Consolidated	42	39	38

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating Revenue	8,335,861	8,579,958	17,520,013	17,091,816
Operating Income	672,370	833,768	1,536,626	1,535,744
Profit Before Income Tax	2,070,032	1,472,646	3,403,249	2,096,139
Profit for the Period	1,607,673	1,203,992	2,657,595	1,660,101
Profit for the Period Attributable to Owners of the Parent Company	1,611,611	1,214,023	2,599,829	1,675,967
Profit for the Period Attributable to Non-controlling Interests	(3,938)	(10,031)	57,766	(15,866)
Basic and Diluted Earnings Per Share (Won)	22,705	17,074	36,582	23,497

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

Table of Contents**B. Summary Financial Information (Separate)**

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

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

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

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

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

Table of Contents**2. Other Matters Related to Financial Information****A. Restatement of the Financial Statements**

Not applicable.

B. Allowance for Doubtful Accounts

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

(Unit: in millions of Won)

For the six months ended June 30, 2018

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

(Unit: in millions of Won)

For the year ended December 31, 2017

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

(Unit: in millions of Won)

For the year ended December 31, 2016

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

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

(Unit: in millions of Won)

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

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(3) Policies for Allowance for Doubtful Accounts

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

(4) Aging of Accounts Receivable

(Unit: in millions of Won)

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

C. Inventories

(1) Detailed Categories of Inventories

(Unit: in millions of Won)

Account Category	For the year ended		
	For the six months ended June 30, 2018	December 31, 2017	December 31, 2016
Merchandise	227,927	243,975	225,958
Goods in transit			
Other inventories	31,371	28,428	33,888
Total	259,298	272,403	259,846
	0.71%	0.81%	0.83%

Percentage of inventories to
total assets

[Inventories / Total assets]

Inventory turnover

[Cost of sales / { (Beginning
balance of inventories +

Ending balance of inventories)

/ 2}]

6.09

7.09

6.89

(2) Reporting of Inventories

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

D. Fair Value Measurement

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

Table of Contents**E. Key Terms of Debt Securities
[SK Telecom]**

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

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond Series 61-2	Dec. 27, 2011	Dec. 27, 2021	190,000	Dec. 19, 2011	Hana Financial Investment Co., Ltd.

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300%
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 25, 2018

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

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300%
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant

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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

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Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond Series 63-1	April 23, 2013	April 23, 2023	230,000	April 17, 2013	Korea Securities Finance Corp.
Unsecured Bond Series 63-2	April 23, 2013	April 23, 2033	130,000	April 17, 2013	Korea Securities Finance Corp.
Unsecured Bond Series 64-1	May 14, 2014	May 14, 2019	50,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 64-2	May 14, 2014	May 14, 2024	150,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 64-4	May 14, 2014	May 14, 2029	50,000	April 29, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 65-1	Oct. 28, 2014	Oct. 28, 2019	160,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 65-2	Oct. 28, 2014	Oct. 28, 2021	150,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 65-3	Oct. 28, 2014	Oct. 28, 2024	190,000	Oct. 16, 2014	Korea Securities Finance Corp.
Unsecured Bond Series 66-1	Feb. 26, 2015	Feb. 26, 2022	100,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 66-2	Feb. 26, 2015	Feb. 26, 2025	150,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 66-3	Feb. 26, 2015	Feb. 26, 2030	50,000	Feb. 11, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 67-1	July 17, 2015	July 17, 2018	90,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 67-2	July 17, 2015	July 17, 2025	70,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 67-3	July 17, 2015	July 17, 2030	90,000	July 9, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 68-1	Nov. 30, 2015	Nov. 30, 2018	80,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 68-2	Nov. 30, 2015	Nov. 30, 2025	100,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 68-3	Nov. 30, 2015	Nov. 30, 2035	70,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond Series 69-1	March 4, 2016	March 4, 2019	70,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond Series 69-2	March 4, 2016	March 4, 2021	100,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond Series 69-3	March 4, 2016	March 4, 2026	90,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond Series 69-4	March 4, 2016	March 4, 2036	80,000	Feb. 22, 2016	Korea Securities Finance Corp.

Maintenance of Financial Ratio

Key Term

Debt ratio no greater than 300%

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	Compliance Status	Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 25, 2018

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

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 5 trillion won Compliant
Submission of Compliance Certificate	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 Compliance Status	Debt ratio no greater than 300% Compliant
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Restriction on Liens	Key Term	The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year
	Compliance Status	Compliant
Restriction on Disposition of Assets	Key Term	Disposal of assets per fiscal year not to exceed 50% of total assets
	Compliance Status	Compliant
Restriction on Changes of Management Structure	Key Term	Restriction of cross-shareholding Exclusion from corporate group
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 25, 2018

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

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Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 150% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 50% of total assets Compliant
Restriction on Changes of Management Structure	Key Term Compliance Status	Restriction of cross-shareholding Exclusion from corporate group Compliant
Submission of Compliance Certificate [SK Broadband]	Compliance Status	To be submitted after the release of the 2018 semi-annual report

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

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

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 400% 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

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	Compliance Status	Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on April 23, 2018

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Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond 45-1	Series Oct. 11, 2017	Oct. 11, 2020	30,000	Sept. 20, 2017	Korea Securities Finance Corp.
Unsecured Bond 45-2	Series Oct. 11, 2017	Oct. 11, 2022	140,000	Sept. 20, 2017	Korea Securities Finance Corp.
Maintenance of Financial Ratio		Key Term Compliance Status		Debt ratio no greater than 400% Compliant	
Restriction on Liens		Key Term Compliance Status		The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year Compliant	
Restriction on Disposition of Assets		Key Term Compliance Status		Disposal of assets per fiscal year not to exceed 70% of total assets Compliant	
Submission of Compliance Certificate		Compliance Status		Submitted on April 23, 2018	

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond Series 46-1	Feb. 1, 2018	Feb. 1, 2021	70,000	Jan. 19, 2018	Korea Securities Finance Corp.
Unsecured Bond Series 46-2	Feb. 1, 2018	Feb. 1, 2021 ³	80,000	Jan. 19, 2018	Korea Securities Finance Corp.
Maintenance of Financial Ratio		Key Term Compliance Status		Debt ratio no greater than 400% Compliant	
Restriction on Liens		Key Term Compliance Status		The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year Compliant	
Restriction on Disposition of Assets		Key Term Compliance Status		Disposal of assets per fiscal year not to exceed 70% of total assets Compliant	
Restriction on Changes of Management Structure		Key Term Compliance Status		Restriction on changes of management structure Compliant	
Submission of Compliance Certificate		Compliance Status		To be submitted in August 2018	

Table of Contents**IV. AUDITOR S OPINION****1. Auditor (Consolidated)**

Six months ended June 30, 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)

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

3. Remuneration for Independent Auditors for the Past Three Fiscal Years**A. Audit Contracts**

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

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

B. Non-Audit Services Contract with External Auditors

(Unit: in millions of Won)

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

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4. Change of Independent Auditors

Not applicable.

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Table of Contents**V. MANAGEMENT'S DISCUSSION AND ANALYSIS**

Omitted in quarterly and semi-annual reports in accordance with Korean disclosure rules.

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

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

(As of June 30, 2018)

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

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

B. Significant Activities of the Board of Directors

Meeting	Date	Agenda	Approval
409th (the 1st meeting of 2018)	February 2, 2018	Business Plan for 2018	Approved as proposed
		Financial statements as of and for the year ended December 31, 2017	Approved as proposed
		Annual business report as of and for the year ended December 31, 2017	Approved as proposed
		Delegation of funding through long-term borrowings in 2018	Approved as proposed
		Lease contract with SK Broadband	Approved as proposed
		Approval of IT SM transactions in 2018	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	Approved as proposed
		Donation to community in 2017	
		Report for the period after the fourth quarter of 2017	
410th (the 2nd meeting of 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	Approved as proposed
		Results on internal accounting management	

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Meeting	Date	Agenda	Approval
411th (the 3rd meeting of 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 2018	Approved as proposed
		Transactions related to corporate bonds with SK Securities	Approved as proposed
		Transactions related to fund management with SK Securities	Approved as proposed
		Donation to Korea Foundation of Advance Studies for 2018	
412nd (the 4th meeting of 2018)	April 26, 2018	Donation to SK Happiness Foundation for 2018	
		Allocation of operating costs of SK Academy	Approved as proposed
		Payment of operating costs in 2018 for SUPEX Council	Approved as proposed
413rd (the 5th meeting of 2018)	May 8, 2018	Report for the period after the first quarter of 2018	
		Acquisition of shares of Siren Holdings Korea Co. Ltd.	Approved as proposed
414th (the 6th meeting of 2018)	May 24, 2018	Plan for the procurement of 5G frequency	Approved as proposed
		Settlement of expenses between related parties in connection with contemplated joint R&D	Approved as proposed
415th (the 7th meeting of 2018)	June 28, 2018	Equity investment plan for the Guam/Saipan MNO	
		Transactions with SK Holdings in the third quarter 2018	Approved as proposed
		Transactions related to corporate bonds with SK Securities	Approved as proposed
		Transactions related to fund management with SK Securities	Approved as proposed
		Changes to joint management contract of airplane for	

business purposes

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

C. Committees within Board of Directors

(1) Committee structure (as of June 30, 2018)

(a) Compensation Review Committee

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

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

(b) Capex Review Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
6	Young Sang Ryu	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn, Youngmin Yoon	Review major investment plans and changes thereto

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

(c) Corporate Citizenship Committee

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

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

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(d) Independent Director Nomination Committee

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

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

(e) Audit Committee

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

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

2. Audit System

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

Major activities of the Audit Committee as of June 30, 2018 are set forth below.

Meeting	Date	Agenda	Approval
		Evaluation of internal accounting management system operation	
		Review of business and audit results for the second half of 2017 and business and audit plans for 2018	Approved as proposed
The 1st meeting of 2018	February 1, 2018	Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	
		Appointment of external auditor for the period of 2018 to 2020	Approved as proposed

			Report on the IFRS audit of fiscal year 2017	
			Report on review of 2017 internal accounting management system	
			Evaluation of internal accounting management system operation	Approved as proposed
The 2nd meeting of 2018	February 19, 2018	Shareholders	Agenda and document review for the 34th General Meeting of	Approved as proposed
			Auditor's report for fiscal year 2017	
			Report on contract for customer appreciation gifts to fixed-line telephone customers for 2018	Approved as proposed
				Approved as proposed
The 3rd meeting of 2018	March 20, 2018	2018	Contract for maintenance services of optical cables in 2018	Approved as proposed
			Contract for maintenance services of transmission equipment in	Approved as proposed
			Consulting contract to undertake a global project	Approved as proposed
			Election of the chairman of the Audit Committee	Approved as proposed
			Remuneration for external auditor for fiscal year 2018	Approved as proposed
The 4th meeting of 2018	April 25, 2018		Approval of external auditor services for fiscal year 2018	Approved as proposed
			Audit plan for fiscal year 2018	Approved as proposed
The 5th meeting of 2018	May 23, 2018	2018	Product/service transactions with SK Broadband for fiscal year	Approved as proposed

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

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3. Shareholders Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

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

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

Written voting system is not applicable. Minority shareholder rights were not exercised during the relevant period.

Table of Contents**VII. SHAREHOLDERS****1. Shareholdings of the Largest Shareholder and Related Persons****A. Shareholdings of the Largest Shareholder and Related Persons**

(As of June 30, 2018)

(Unit: in shares and percentages)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period Number of Ownership shares	ratio	End of Period Number of shares	Ownership ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Dong Hyun Jang	Officer of affiliated company	Common share	251	0.00	251	0.00
Jung Ho Park	Officer of the Company	Common share	1,000	0.00	1,000	0.00
Total		Common share	20,364,803	25.22	20,364,803	25.22

B. Overview of the Largest Shareholder

As of June 30, 2018, the Company's largest shareholder was SK Holdings Co., Ltd. (SK Holdings) with 20,363,452 shares (25.22%) of the Company. SK Holdings was established on April 13, 1991 and was made public on the securities market for the first time under the name SK C&C Co., Ltd. on November 11, 2009. On August 3, 2015, SK Holdings merged with and into SK C&C and the merged entity was renamed SK Holdings. The main business of SK Holdings includes managing its subsidiaries as a holding company, IT services, security services and logistics services, among others.

C. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows:

(As of June 30, 2018)

(Unit: in shares and percentages)

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

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

(As of June 30, 2018) (Unit: in shares and percentages)

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

B. Shareholder Distribution

(As of June 30, 2018) (Unit: in shares and percentages)

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

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

3. Share Price and Trading Volume in the Last Six Months**A. Domestic Securities Market**

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

B. Foreign Securities Market (New York Stock Exchange)

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

Table of Contents**VIII. EMPLOYEES AND DIRECTORS****1. Employees**

(As of June 30, 2018) (Unit: in persons and millions of Won)

Business segment	Gender	Number of employees			Aggregate wage			
		Employees without a fixed term of employment	Employees with a fixed term of employment	Employees with a fixed term of employment	Average for the first three months of service	Average for the first three months of service	Average wage per person	
		Total	Part-time employees	Total employees	Total	2017	2017	
	Male	3,928		130	4,058	12.7	286,697	72
	Female	658		118	776	9.0	36,032	50
Total		4,586		248	4,834	12.1	322,729	69

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

2. Compensation of Directors**A. Amount Approved at the Shareholders Meeting**

(As of June 30, 2018) (Unit: in millions of Won)

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

B. Amount Paid**B-1. Total Amount**

(As of June 30, 2018) (Unit: in millions of Won)

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

B-2. Amount by Classification

(As of June 30, 2018)

(Unit: in millions of Won)

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

3. Individual Compensation of Directors

A. Remuneration for Individual Directors

Name	Position	Total remuneration	(Unit: in millions of Won) Payment not included in total remuneration
Jung Ho Park	Representative Director	2,925	66,504 shares in stock option

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Method of calculation

Name	Method of calculation
Jung Ho Park	<u>Total remuneration</u>

Won 2,925 million (consisting of Won 575 million in salary and Won 2,350 million in bonus).

Salary

An annual base salary of Won 1,150 million was set based on Mr. Park's position (as Representative Director and President), leadership, expertise and contribution to the Company and within the director compensation limits established by the board of directors for the year 2018. One twelfth of the annual base salary (Won 95.8 million) is paid each month.

Bonus

Bonus awarded at the beginning of 2018 was based on the annual performance in 2017 and consisted of target incentive payments and profit sharing payments.

Bonus in the range of 0% to 250% of the annual base salary may be awarded to the Representative Director, based on a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, including leadership, ability to achieve strategic tasks, expertise and other management skills and contributions.

For the year ended December 31, 2017, the Company met its financial targets with revenue of Won 17.5 trillion and operating profit of Won 1.5 trillion on a consolidated basis and succeeded in achieving a turnaround in revenue for the first time in three years since 2014. Mr. Park also solidified Company's market position as a leader in the mobile communication industry; it was ranked number one for the Korean Customer Satisfaction Index (KCSI) for 20 consecutive years in 2017, and has held the number one position in the top 3 customer satisfaction evaluations in Korea, including KS-SQI and KCSI, for the longest period among all companies, and the number of the Company's mobile subscribers surpassed 30 million in the year ended December 31, 2017. He also laid the groundwork for securing

new growth drivers in the new ICT area, including media, commerce and AI. In particular, since the launch of AI speaker NUGU, the Company has achieved outstanding results in the new ICT area by strengthening the Company's competitiveness in the AI business with the AI virtuous cycle strategy, which seeks to expand service areas, contents and users simultaneously. As a result, the number of monthly active users of AI speaker NUGU increased from 0.1 million in August 2016 to 2.1 million in December 2017. Based on these factors, a bonus of Won 2,350 million was awarded to Mr. Park.

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

Name	Position	(Unit: in millions of Won)	
		Total remuneration	total remuneration Payment not included in
Jung Ho Park	Representative Director	2,925	66,504 stock options
Ho Cheol Yeo	Non-registered Officer	1,777	
Yong Seob Yeom	Non-registered Officer	727	
Joon Choi	Non-registered Officer	715	
Yong Seok Lee	Non-registered Officer	633	

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Name	Method of calculation
Jung Ho Park	See VIII.3.A. Remuneration for Individual Directors above.
Ho Cheol Yeo	<u>Total remuneration</u>

Won 1,777 million (consisting of Won 83 million in salary, Won 254 million in bonus, Won 606 million in other earned income and Won 834 million in retirement pay).

Salary

An annual base salary of Won 237 million was set based on Mr. Yeo's position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 19.7 million) is paid each month.

The total amount of salary paid is for the period from January 1, 2018 and May 8, 2018.

Bonus

Bonus awarded at the beginning of 2018 was based on the annual performance in 2017 and consisted of target incentive payments and profit sharing payments.

Bonus in the range of 0% to 200% of the annual base salary may be awarded to an executive, based on a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as leadership, ability to achieve strategic tasks, expertise and other management skills and contributions.

Mr. Yeo contributed to the management's decision-making process to minimize business risk through the business evaluation of the Company and its affiliated companies. He also built the foundation for systematic management through upgrades in ethical management infrastructure and created a culture and environment for ethical management practices through workshops and active training. Based on these factors, a bonus of Won

254 million was awarded to Mr. Yeo.

Other earned income

Bereavement pay was paid for the death of the executive.

Retirement pay

Retirement pay is calculated in accordance with the Company's policy on executive retirement pay and includes additional amounts for special contributions based on the Company's policy on executive management.

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Yong Seob Yeom

Total remuneration

Won 727 million (consisting of Won 247 million in salary and Won 480 million in bonus).

Salary

An annual base salary of Won 495 million was set based on the executive's position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 41.2 million) is paid each month.

Bonus

Bonus was paid in February 2018 based on the performance of Mr. Yeom during his tenure as the head of the SK Research Institute for SUPEX Management for the year 2017.

Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills.

Mr. Yeom contributed to increasing the Company's corporate value and competitiveness by performing his role as the head of SK Research for SUPEX Management, which acts as a think tank that supports the Company's sustainable growth. Based on these factors, a bonus of Won 480 million was awarded to Mr. Yeom.

Joon Choi

Total remuneration

Won 715 million (consisting of Won 172 million in salary and Won 543 million in bonus).

Salary

An annual base salary of Won 345 million was set based on the executive's position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 28.7 million) is paid each month.

The total amount was allocated based on the operating standards agreed by the SUPEX Council member companies.

Bonus

Bonus was paid in February 2018 based on the performance of Mr. Choi as an executive in the strategic support team of the SUPEX Council for the year 2017.

Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills.

As an executive of the strategic support team of the SUPEX Council, Mr. Choi contributed to the growth of SK Group by enhancing SK Group's ability to execute the "Independent Yet United" management philosophy and increasing the corporate value and competitiveness of affiliated companies. He also contributed to the innovation of the Company's business model and its global growth. Based on these factors, a bonus of Won 543 million was awarded to Mr. Choi. (The total amount was allocated based on the operating standards agreed by the SUPEX Council member companies.)

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Yong Seok Lee

Total remuneration

Won 633 million (consisting of Won 247 million in salary, Won 386 million in bonus).

Salary

An annual base salary of Won 495 million was set based on the executive's position, leadership, expertise and contribution to the Company. One twelfth of the annual base salary (Won 41.2 million) is paid each month.

Bonus

Bonus was paid in February 2018 based on the performance of Mr. Lee during his tenure as the head of economic research of the SK Research Institute for SUPEX Management for the year 2017.

Bonus may be awarded based on the executive compensation guidelines and a comprehensive evaluation of performance through certain financial indicators, including revenue and operating profit, and non-financial indicators, such as ability to achieve strategic tasks and leadership in generating management skills.

Mr. Lee contributed to increasing the Company's corporate value and competitiveness by performing his role as the head of economic research of the SK Research for SUPEX Management, which acts as a think tank that supports the Company's sustainable growth. Based on these factors, a bonus of Won 386 million was awarded to Mr. Lee.

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

(As of June 30, 2018)		(Unit: in millions of Won)	
Classification	Number of Directors	Fair Value of Stock Option	Remarks
Inside Directors	3	271	
Independent Directors	1		
Audit Committee Members	4		
Total	8	271	

* See note 24 of the notes to the Company's consolidated financial statements attached hereto for more information regarding the calculation method for the fair value of stock options.

The fair value of stock options is based on the cost associated with stock options as set forth in the Company's statement of comprehensive income for the relevant period, to the extent such options were granted to directors.

B. Stock Options Granted and Exercised

(As of June 30, 2018)				(Unit: in Won and shares)			
Grantee	Relationship with the Company	Date of Grant	Method of Grant	Changes Granted	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 March 24, 2022	246,750
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	22,168	March 25, 2020 March 24, 2023	266,490
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	22,168	March 25, 2021 March 24, 2024	287,810
Young Sang Ryu	Inside Director	February 20, 2018	Treasury stock	1,358	1,358	February 21, 2020 February 2, 2023	254,120
Sung Won Suh	Officer	February 20, 2018	Treasury stock	2,755	2,755	February 21, 2020 February 2, 2023	254,120
Sang Ho Lee	Officer	February 20, 2018	Treasury stock	1,594	1,594	February 21, 2020 February 2, 2023	254,120

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

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

(As of June 30, 2018)

(Unit: in millions of Won)

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

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

(As of June 30, 2018)

(Unit: in millions of Won)

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

Purchase and Disposition of Securities

(As of June 30, 2018)

(Unit: in millions of Won)

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

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

Transfer of Assets

None.

3. Transactions with the Largest Shareholder and Related Parties

None.

4. Related Party Transactions

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

Table of Contents**5. Other Related Party Transactions (excluding Transactions with the Largest Shareholder and Related Parties listed above)****A. Provisional Payment and Loans (including loans on marketable securities)**

(As of June 30, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
Baekmajang and others	Agency	Long-term and short-term loans	61,930	110,980	100,133	72,777		
Daehan Kanggun BCN Inc.	Investee	Long-term loans	22,147			22,147		

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

Date	Agenda	Resolution
32nd Fiscal Year Meeting of Shareholders (March 18, 2016)	1. Approval of the financial statements for the year ended December 31, 2015	Approved (Cash dividend, Won 9,000 per share)
	2. Amendments to Articles of Incorporation	
	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)
33rd Fiscal Year Meeting of Shareholders (March 24, 2017)	5. Approval of remuneration limit for directors	Approved (Dae Shick Oh)
	6. Amendments to executive payroll regulations	Approved (Won 12 billion)
		Approved
	1. Approval of the financial statements for the year ended December 31, 2016	Approved (Cash dividend, Won 9,000 per share)
	2. Amendments to Articles of Incorporation	
	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)

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	Election of an independent director	Approved (Jae Hyeon Ahn)
	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	Approved (Jae Hyeon Ahn)
	6. Award of stock options	Approved (Won 12 billion)
		Approved
34th Fiscal Year Meeting of Shareholders (March 21, 2018)	1. Approval of the financial statements for the year ended December 31, 2017	Approved (Cash dividend, Won 9,000 per share)
	2. Award of stock options	
	3. Election of directors	Approved
	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.

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[SK Broadband]

A. Material Legal Proceedings

As of June 30, 2018, there were 15 lawsuits against SK Broadband (total amount of Won 3,377 million) that were pending. The Company does not believe that the outcome of these lawsuits will have a material impact on its financial statements.

B. Other Contingent Liabilities

(1) Pledged assets and covenants

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

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

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 263 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 3,933 million to others, including Seodaemun Guksa, on a part of its buildings in connection with the leasing of the buildings.

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

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 23,377 million to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

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

[SK Planet]

A. Material Legal Proceedings

As of June 30, 2018, there were nine pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claims was Won 3,382 million. The management cannot reasonably forecast the outcome of these cases and no amount in connection with these proceedings was recognized on the Company's financial statements.

B. Other Contingent Liabilities

(1) Borrowings

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

(Unit: in thousands of Won)

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

Table of Contents**(2) Payment guarantees**

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

(Unit: in thousands of Won)

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

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

(Unit: in thousands of Won)

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

[SK Telink]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

Seoul Guarantee Insurance Company and KB Insurance have provided performance guarantees of Won 12.5 billion and Won 3.3 billion, respectively, to SK Telink in connection with the performance of and potential losses from certain contracts.

SK Telink has provided a performance guarantee of up to Won 224 million to business partners through Seoul Guarantee Insurance Company.

[SK Communications]

A. Material Legal Proceedings

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

Table of Contents**B. Other Contingent Liabilities**

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

(Unit: in thousands of Won)		
Financial Institution	Guarantee	Amount
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
	Provisional attachment of real estate	118,000
	Total	818,000

[Iriver]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

(1) As of June 30, 2018, Iriver was not party to any agreements with any financial institutions.

(2) Seoul Guarantee Insurance Company has provided performance guarantees of Won 125 million to Iriver in connection with the performance of contracts, advance payment guarantee and defective guarantee.

(3) Iriver has entered into design and technology contracts with domestic and foreign companies for the production of products and has made payments for the use of design and technology, which derived from the sale of the products or the use of the patent. The design and technology fees incurred during the six months ended June 30, 2018 and 2017 were Won 3,401 million and Won 376 million, respectively, and such fees are included in cost of sales and selling and administrative expenses.

[NSOK]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

NSOK has entered into revolving credit facilities with a limit of Won 8 billion with Woori Bank and Won 20 billion with Hana Bank in relation to its loans.

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3. Status of Sanctions, etc.

[SK Telecom]

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

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

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

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

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

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

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

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

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

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

common shares of Iriver, resulting in a change in the Company's ownership interest from 45.9% to 53.7%.

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[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).

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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.

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

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

[SK Planet]

(1) Violation of the Electronic Financial Transactions Act

Date: May 4, 2016

Sanction: SK Planet received a fine of Won 25 million.

Reason and the Relevant Law: Violated Article 21 (Duty to Ensure Safety) of the Electronic Financial Transactions Act.

Status of Implementation: Paid the fine.

Company's Plan: Implemented procedures to prevent recurrence such as setting up various detailed test scenarios, enhancing quality assurance, organizing real-time notification processes upon detection of abnormal transactions and refining a continuous monitoring and reporting system

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

Date: August 19, 2016 (Fined); September 12, 2016 (Warned)

Sanction: SK Planet received a fine of Won 5 million.

Reason and the Relevant Law: Violated Article 21 (Prohibited Acts) of the Act on Consumer Protection in Electronic Commerce.

Status of Implementation: Admitted to the violation in connection with the warning but submitted a statement of objection on August 26, 2016 regarding the fine.

Company's Plan: Executed a seminar regarding the Act on Consumer Protection in Electronic Commerce to prevent recurrence, reviewed the advertisement/display approval process and implemented a continuous monitoring system.

(3) Violation of the Framework Act on Logistics Policies

Date: November 10, 2016

Sanction: SK Planet received a fine of Won 156 thousand for failing to register a modification of the international logistics brokerage business on time (Within 60 days from the date of modification).

Reason and the Relevant Law: Violated Article 43 of the Framework Act on Logistics Policies (Registration of international logistics brokerage business).

Company's Plan: Implemented a continuous monitoring system to prevent its recurrence in registration of a modification.

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

Date: April 10, 2017

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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.

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Reason and the Relevant Law: Violated Articles 19-1 and 31-1 of the Industrial Safety and Health Act for failing to establish an industrial safety and health committee and not providing training related to employee safety and health in the first quarter of 2018.

Status of Implementation: The company paid the fine and its board of directors resolved to establish an industrial safety and health committee on May 16, 2018. The company has also conducted offline and online training programs.

Company's plan: Execute the correctional order.

[Iriver]

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

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

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

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

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

4. Use of Direct Financing

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

Not applicable.

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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: September 14, 2018

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SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 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 June 30, 2018, the condensed separate statements of income, and comprehensive income for the three and six-month periods ended June 30, 2018 and 2017, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 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 draw the attention of the users of the above-mentioned financial statements of the Company to the matter described in Note 3 to the condensed separate financial statements. The Company has initially adopted K-IFRS Nos. 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 or six-month period ended June 30, 2017, presented for comparative purposes, in accordance with transition requirements of the standards. The financial impacts of applying K-IFRS Nos. 1109 and 1115 are discussed in Note 3.

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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

August 13, 2018

This report is effective as of August 13, 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.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of June 30, 2018 and December 31, 2017

(In millions of won)

	<i>Note</i>	June 30, 2018	December 31, 2017
Assets			
Current Assets:			
Cash and cash equivalents	3,27,28	₩ 1,055,703	880,583
Short-term financial instruments	3,27,28	79,500	94,000
Short-term investment securities	3,6,27,28	47,547	47,383
Accounts receivable - trade, net	3,4,27,28,29	1,385,039	1,520,209
Short-term loans, net	3,4,27,28,29	65,319	54,403
Accounts receivable - other, net	3,4,27,28,29,30	865,634	1,003,509
Accrued income	3,4,27,28	642	659
Contract assets	15	1,280	
Advanced payments		10,514	13,783
Prepaid expenses	3,5	1,797,751	121,121
Inventories, net		25,197	29,837
Non-current assets held for sale and discontinued operations	7	8,481	
Others		1,277	2,611
Total Current Assets		5,343,884	3,768,098
Non-Current Assets:			
Long-term financial instruments	3,27,28	382	382
Long-term investment securities	3,6,27,28	664,492	724,603
Investments in subsidiaries, associates and joint ventures	7	9,251,511	9,152,321
Property and equipment, net	8,29	6,416,396	6,923,133
Goodwill		1,306,236	1,306,236
Intangible assets, net	9	2,832,884	3,089,545
Long-term loans, net	3,4,27,28,29	7,334	7,512
Long-term accounts receivable - other	3,4,27,28,30	248,076	285,118
Long-term contract assets	15	5,013	
Long-term prepaid expenses	3,5	667,539	25,169
Guarantee deposits	3,4,27,28,29	184,922	173,513
Long-term derivative financial assets	3,13,27,28	51,858	30,608
Deferred tax assets	3,25		30,953
Defined benefit assets	14	16,676	40,082
Other non-current assets		249	249
Total Non-Current Assets		21,653,568	21,789,424

Total Assets	₩ 26,997,452	25,557,522
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See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of June 30, 2018 and December 31, 2017

(In millions of won)

	<i>Note</i>	June 30, 2018	December 31, 2017
Liabilities and Shareholders Equity			
Current Liabilities:			
Accounts payable - other	27,28,29	₩ 1,201,887	1,664,054
Receipts in advance	3		76,126
Contract liabilities	3,15	50,723	
Withholdings	3,27,28	616,572	517,991
Accrued expenses	27,28	644,796	790,368
Income tax payable	25	211,608	206,060
Unearned revenue	3		3,705
Derivative financial liabilities	13,27,28		27,791
Provisions	12	43,528	48,508
Current installments of long-term debt, net	10,27,28	352,408	1,131,047
Current installments of long-term payables - other	11,27,28	299,113	301,751
Total Current Liabilities		3,420,635	4,767,401
Non-Current Liabilities:			
Debentures, excluding current installments, net	10,27,28	5,255,471	4,334,848
Long-term borrowings, excluding current installments, net	10,27,28	38,185	42,486
Long-term payables - other	11,27,28	1,040,761	1,328,630
Long-term contract liabilities	3,15	7,758	
Long-term unearned revenue	3		7,033
Long-term derivative financial liabilities	13,27,28	1,400	10,719
Long-term provisions	12	16,060	16,178
Deferred tax liabilities	3,25	566,360	
Other non-current liabilities	27,28	43,663	42,836
Total Non-Current Liabilities		6,969,658	5,782,730
Total Liabilities		10,390,293	10,550,131
Shareholders Equity:			
Share capital	1,16	44,639	44,639
Capital surplus and others	16,17,18	370,943	371,895
Retained earnings	19	16,224,034	14,512,556
Reserves	20	(32,457)	78,301

Total Shareholders Equity	16,607,159	15,007,391
Total Liabilities and Shareholders Equity	₩ 26,997,452	25,557,522

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 2018 and 2017

(In millions of won except for per share data)

	Note	June 30, 2018		June 30, 2017	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Operating revenue:	3,21,29				
Revenue		₩ 2,941,835	5,930,373	3,109,630	6,197,586
Operating expenses:	29				
Labor		158,681	333,708	151,931	308,809
Commissions	3	1,085,518	2,218,460	1,196,606	2,394,123
Depreciation and amortization		580,715	1,181,434	586,841	1,172,312
Network interconnection		167,024	329,627	152,225	308,959
Leased line		68,290	138,829	70,846	146,744
Advertising		37,968	63,966	40,715	63,159
Rent		111,176	222,582	109,780	221,301
Cost of products that have been resold		133,527	256,695	130,641	266,076
Others	22	230,657	447,536	207,697	414,359
		2,573,556	5,192,837	2,647,282	5,295,842
Operating profit	3	368,279	737,536	462,348	901,744
Finance income	24	26,715	208,003	21,001	147,187
Finance costs	24	(73,596)	(140,612)	(75,528)	(140,525)
Other non-operating income	23	4,369	16,494	2,664	9,320
Other non-operating expenses	23	(29,826)	(48,004)	(21,850)	(39,458)
Loss on investments in subsidiaries and associates	7			(15,305)	(15,305)
Profit before income tax	3	295,941	773,417	373,330	862,963
Income tax expense	3,25	76,155	189,204	59,280	160,707
Profit for the period	3	₩ 219,786	584,213	314,050	702,256
Earnings per share:	26				
Basic and diluted earnings per share (in won)		₩ 2,993	8,155	4,328	9,826

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2018 and 2017

(In millions of won)

	<i>Note</i>	June 30, 2018		June 30, 2017	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Profit for the period		₩ 219,786	584,213	314,050	702,256
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss, net of taxes:		(17,585)	(44,792)	406	(6,372)
Remeasurement of defined benefit liabilities	14	3,003	(4,065)	406	(6,372)
Valuation gain (loss) on financial assets at FVOCI	20	(20,588)	(40,727)		
Items that are or may be reclassified subsequently to profit or loss, net of taxes:		(981)	(10,006)	69,543	105,151
Net change in unrealized fair value of available-for-sale financial assets	20			56,010	99,347
Net change in unrealized fair value of derivatives	20	(981)	(10,006)	13,533	5,804
Other comprehensive income (loss) for the period, net of taxes		(18,566)	(54,798)	69,949	98,779
Total comprehensive income		₩ 201,220	529,415	383,999	801,035

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the six-month periods ended June 30, 2018 and 2017

(in millions of won)

			Capital surplus and others								
	Note	Share capital	Paid-in surplus	Treasury share	Hybrid bonds	Share option	Other	Sub-total	Retained earnings	Reserves	Total equity
Balance, January 1,		₩ 44,639	2,915,887	(2,260,626)	398,518		(682,298)	371,481	13,902,627	(61,793)	14,255,000
Comprehensive income:									702,256		702,256
For the period:											
Comprehensive loss (loss)	14,20								(6,372)	105,151	98,779
									695,884	105,151	801,034
Transactions with owners:											
Dividends									(635,482)		(635,482)
Option						145		145			
Impact on bond									(8,420)		(8,420)
						145		145	(643,902)		(643,902)
Balance, June 30, 2017		₩ 44,639	2,915,887	(2,260,626)	398,518	145	(682,298)	371,626	13,954,609	43,358	14,414,307
Balance, December 31,		₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,286
of which:											
Non-controlling interest	3								1,723,985		1,723,985
of which:	3								49,611	(58,389)	(8,778)
of which:											
Non-controlling interest											

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Income, net of tax, for the period ended March 31, 2018	₩ 44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	16,286,152	19,912	16,722,976
Comprehensive income (loss) for the period ended March 31, 2018	14,20							584,213		584,213
Comprehensive income (loss) for the period ended March 31, 2017								(2,429)	(52,369)	(54,798)
Comprehensive income (loss) for the period ended March 31, 2016								581,784	(52,369)	529,415
Transactions with owners:										
Dividends								(635,482)		(635,482)
Option exercises					289		289			
Issuance of convertible preferred stock	18			(398,518)		(1,482)	(400,000)			(400,000)
Redemption of convertible preferred stock										
Issuance of convertible preferred stock	18			398,759			398,759			398,759
Redemption of convertible preferred stock								(8,420)		(8,420)
Change in fair value of convertible preferred stock				241	289	(1,482)	(952)	(643,902)		(643,902)
Income, net of tax, for the period ended March 31, 2018	₩ 44,639	2,915,887	(2,260,626)	398,759	703	(683,780)	370,943	16,224,034	(32,457)	16,607,257

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2018 and 2017

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2018	June 30, 2017
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period		₩ 584,213	702,256
Adjustments for income and expenses	31	1,420,008	1,431,941
Changes in assets and liabilities related to operating activities	31	70,515	(216,566)
Sub-total		2,074,736	1,917,631
Interest received		20,489	25,733
Dividends received		161,213	99,423
Interest paid		(102,487)	(93,362)
Income tax paid		(196,330)	(377,715)
Net cash provided by operating activities		1,957,621	1,571,710
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term investment securities, net			50,000
Decrease in short-term financial instruments, net		14,500	
Collection of short-term loans		99,953	97,193
Proceeds from disposal of long-term investment securities		4,992	4,781
Proceeds from disposal of investments in subsidiaries and associates		2,414	
Proceeds from disposal of property and equipment		5,268	9,950
Proceeds from disposal of intangible assets		143	992
		127,270	162,916
Cash outflows for investing activities:			
Increase in short-term financial instruments, net			(19,000)
Increase in short-term loans		(110,800)	(107,300)
Acquisition of long-term investment securities		(990)	(5,367)
Acquisition of investments in subsidiaries and associates		(106,121)	(45,139)
Acquisition of property and equipment		(780,766)	(748,089)
Acquisition of intangible assets		(10,869)	(11,698)
		(1,009,546)	(936,593)
Net cash used in investing activities		₩ (882,276)	(773,677)

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2018 and 2017

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2018	June 30, 2017
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from issuance of hybrid bond	₩	398,759	
Proceeds from issuance of debentures		1,027,541	368,456
		1,426,300	368,456
Cash outflows for financing activities:			
Repayments of long-term borrowings		(6,200)	(6,407)
Repayments of hybrid bonds		(400,000)	
Repayments of long-term account payables-other		(302,867)	(302,867)
Repayments of debentures		(946,550)	(349,119)
Payments of cash dividends		(635,482)	(635,482)
Payments of interest on hybrid bond		(8,420)	(8,420)
Cash outflows from transactions of derivatives		(27,213)	(22,883)
		(2,326,732)	(1,325,178)
Net cash used in financing activities		(900,432)	(956,722)
Net increase (decrease) in cash and cash equivalents		174,913	(158,689)
Cash and cash equivalents at beginning of the period		880,583	874,350
Effects of exchange rate changes on cash and cash equivalents		207	(51)
Cash and cash equivalents at end of the period	₩	1,055,703	715,610

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 June 30, 2018, the Company's total issued shares are held by the following shareholders:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, institutional investors and other 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, or 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 No. 1115, *Revenue from contracts with customers*, and K-IFRS No. 1109, *Financial Instruments*, that are described in Note 3.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 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 28.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 amendments to 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 replaces existing 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 initially applied 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) Identification of performance obligations in the contract

A substantial portion of the Company's revenue is generated from providing wireless telecommunications services. K-IFRS No. 1115 requires the Company 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 Company provides a wireless telecommunications service and sells a handset together to one customer, the Company 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.

ii) Allocation of the transaction price to performance obligations

Under K-IFRS No. 1115, the Company allocates the transaction price to each performance obligation identified in a contract on a relative stand-alone selling price basis. The Company uses adjusted market assessment approach method for estimating the stand-alone selling price of a good or service.

In the case of providing both wireless telecommunication services and mobile devices for sale, the Company allocates the transaction price based on relative stand-alone selling prices.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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) 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 parties 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 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.

iv) 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.

v) 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 statement of financial position as of June 30, 2018, prepaid expenses and long-term prepaid expenses would be decreased by ₩1,683,133 million and ₩640,838 million, respectively, and contract assets and long-term contract assets each would be decreased by ₩1,280 million and ₩5,013 million, respectively, while deferred tax assets would be increased by ₩58,819 million. As a result, total assets would be decreased by ₩2,271,445 million. In addition, contract liabilities, long-term contract liabilities and deferred tax liabilities would be decreased by ₩50,723 million, ₩7,758 million and ₩566,360 million, respectively, while other liabilities such as receipts in advance and unearned revenue would be increased by ₩58,481 million. As a result, total liabilities would be decreased by ₩566,360 million. In relation to these changes in assets and liabilities, retained earnings would be decreased by ₩1,705,085 million.

If K-IFRS No. 1018 were applied on the Company's condensed separate statement of income for the six-month period ended June 30, 2018, revenues would be increased by ₩2,486 million, while commissions would be decreased by ₩23,385 million. Operating profit and profit before income tax would be increased by ₩25,871 million. As a result,

profit for the period would be increased by ~~₩~~18,900 million with increase in income tax expense of ~~₩~~6,971 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 six-month period ended June 30, 2018.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

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

K-IFRS No. 1109 set 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 with respects to 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>	Reserves	Retained earnings
Reclassification of available-for-sale financial assets to financial assets at fair value through profit or loss(FVTPL)	₩ 106	(4,495)
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)
	₩ (58,389)	49,611

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.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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

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. These include 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.

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.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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.

<i>(In millions of won)</i>	Original classification under K-IFRS No. 1039	New classification under K-IFRS No. 1109	Original carrying amount under K-IFRS No. 1039	New carrying amount under K-IFRS No. 1109	Difference
Short-term financial assets:					
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)
Long-term financial assets:					
Long-term financial instruments	Amortized cost	Amortized cost	382	382	

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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
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)

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 ₩85 million was recognized in profit before income tax.

(*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, OCI of ₩85,349 million was reclassified to retained earnings and OCI was increased by ₩5,441 million due to the changes in the fair value of these financial assets. 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, accounts receivable - other of ₩1,003,462 million were reclassified to financial assets at FVTPL. Upon the initial application of K-IFRS No. 1109, the Company reclassified the debt instruments to financial assets at FVTPL whose objectives of the business model are not 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.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected 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).

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 allowance on financial assets measured at amortized cost is deducted from the carrying amount of the respective assets, while loss allowance on debt instruments at FVOCI is recognized in OCI, instead of reducing the carrying amount of the assets.

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.

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 Nos. 1115 and 1109 on the Company's statement of financial position as of January 1, 2018.

(In millions of won)

	December 31,		Adjustments	January 1,
	2017			2018
	As reported	K-IFRS 1115	K-IFRS 1109	Restated
Current Assets	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
Non-Current Assets	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
Total Assets	25,557,522	2,325,183	(11,997)	27,870,708
Current Liabilities	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
Non-Current Liabilities	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

Total Liabilities	10,550,131	601,198	(3,219)	11,148,110
Share capital	44,639			44,639
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
Total Shareholders Equity	15,007,391	1,723,985	(8,778)	16,722,598
Total Liabilities and Shareholders Equity	25,557,522	2,325,183	(11,997)	27,870,708

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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, 2018 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 six-month period ended June 30, 2018.

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 June 30, 2018, there have been no significant changes related to the Company's plan for the adoption of K-IFRS No. 1116 which was disclosed in the Company's separate financial statements as of December 31, 2017.

4. Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018		Carrying amount
	Gross amount	Loss allowance	
Current assets:			
Accounts receivable - trade	₩ 1,505,400	(120,361)	1,385,039
Short-term loans	65,979	(660)	65,319
Accounts receivable - other(*)	919,520	(53,886)	865,634
Accrued income	642		642
	2,491,541	(174,907)	2,316,634
Non-current assets:			
Long-term loans	48,443	(41,109)	7,334
Long-term accounts receivable - other(*)	248,076		248,076
Guarantee deposits	184,922		184,922
	481,441	(41,109)	440,332

₩2,972,982 (216,016) 2,756,966

(*) Gross and carrying amounts of accounts receivable - other as of June 30, 2018 include ₩843,622 million of financial instruments at FVTPL.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

4. Trade and Other Receivables, Continued

(1) Details of trade and other receivables as of June 30, 2018 and December 31, 2017 are as follows, Continued

(In millions of won)

	Gross amount	December 31, 2017 Allowances for doubtful accounts	Carrying amount
Current assets:			
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
Non-current assets:			
Long-term loans	48,623	(41,111)	7,512
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

(2) Changes in the loss allowance on trade and other receivables measured at amortized costs during the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	January 1, 2018	Impact of adopting K-IFRS No. 1109	Impair- ment	Write- offs(*)	Collection of receivables previously written-off	June 30, 2018
Accounts receivable - trade	₩ 107,827	12,950	8,593	(14,532)	5,523	120,361
Accounts receivable - other	97,547	99	1,498	(6,335)	2,846	95,655
	₩ 205,374	13,049	10,091	(20,867)	8,369	216,016

(In millions of won)

	January 1, 2017	Impairment	Write- offs(*)	Collection of receivables previously written-off	June 30, 2017
Accounts receivable - trade	₩ 119,027	8,352	(18,552)	6,668	115,495
Accounts receivable - other	99,800	2,177	(11,042)	6,793	97,728
	₩ 218,827	10,529	(29,594)	13,461	213,223

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

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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. The expected credit losses include the 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 a wireless telecommunications service provider, the Company's financial assets measured at amortized cost consist primarily of receivables from individual customers, and, therefore, 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*, during the year beginning on January 1, 2018.

- (1) Details of prepaid expenses as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Current assets:		
Incremental costs of obtaining contracts	₩ 1,683,133	
Others	114,618	121,121
	1,797,751	121,121
Non-current assets:		
Incremental costs of obtaining contracts	₩ 640,838	
Others	26,701	25,169
	667,539	25,169

(2) Incremental costs of obtaining contracts

Incremental costs of obtaining a contract that are capitalized as assets as of June 30, 2018 and the related depreciation recognized as commissions during the three and six-month periods ended June 30, 2018 are as follows:

<i>(In millions of won)</i>	2018	
	Three-month period ended June 30	Six-month period ended June 30
Depreciation recognized as commission	₩ 497,237	1,035,206

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

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

6. Investment Securities

(1) Details of short-term investment securities as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Category	June 30, 2018	December 31, 2017
Beneficiary certificates	Available-for-sale financial assets	₩	47,383
	FVTPL	47,547	
		₩ 47,547	47,383

(2) Details of long-term investment securities as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Category	June 30, 2018	December 31, 2017
Equity instruments	Available-for-sale financial assets	₩	723,703
	FVOCI(*)	597,225	
		597,225	723,703
Debt instruments	Available-for-sale financial assets		900
	FVTPL	67,267	
		67,267	900
		₩ 664,492	724,603

(*) The Company designated ₩597,225 million of equity instrument that is 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 June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Investments in subsidiaries	₩ 4,493,753	4,391,693
Investments in associates and joint ventures	4,757,758	4,760,628
	₩ 9,251,511	9,152,321

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

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

(2) Details of investments in subsidiaries as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

		June 30, 2018		December 31, 2017
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
SK Telink Co., Ltd.	1,432,627	100.0	₩ 243,988	243,988
SK Broadband Co., Ltd.	298,460,212	100.0	1,870,582	1,870,582
SK Communications Co., Ltd.	43,427,530	100.0	69,668	69,668
PS&Marketing Corporation	66,000,000	100.0	313,934	313,934
SERVICEACE Co., Ltd.	4,385,400	100.0	21,927	21,927
SK Planet Co., Ltd.	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 Americas, Inc.	122	100.0	45,701	45,701
Atlas Investment(*2)		100.0	89,824	84,495
SK Global Healthcare Business Group, 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
id Quantique SA(*3)	44,157,506	58.1	59,214	
Network O&S Co., Ltd., etc			63,106	35,033
			₩4,493,753	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 shareholder or organized group of shareholders, and the other shareholdings are widely dispersed.

(*2) The Company contributed ₩5,329 million in cash during the six-month period ended June 30, 2018.

(*3) The Company acquired additional 41,157,506 shares of both common and preferred stocks, in aggregate, for ₩55,249 million in cash during the six-month period ended June 30, 2018, and reclassified the existing equity instruments at FVOCI to subsidiaries. Due to the reclassification, ₩1,636 million valuation gain on the equity instruments at FVOCI is reclassified to retained earnings.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

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

- (3) Details of investments in associates and joint ventures accounted for using the equity method as of June 30, 2018 and December, 2017 are as follows:

(In millions of won, except for share data)

	Number of shares	June 30, 2018 Ownership (%)	Carrying amount	December 31, 2017 Carrying amount
Investments in associates:				
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
12CM Japan, Inc.(*3)	3,925	29.2	7,697	
MAKEUS Corp. (*2,3)	2,153	8.9	9,773	
SK USA, Inc. and others			62,380	71,824
			₩ 4,733,178	4,725,152
Investment in joint ventures:				
Finnq Co., Ltd.(*4)	4,900,000	49.0	₩ 24,580	24,580
12CM GLOBAL PTE. LTD.(*5)	766,088	47.7		10,896
			24,580	35,476
			₩ 4,757,758	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) The Company acquired the shares at the carrying amount of the Ultimate Controlling Entity during the six-month period ended June 30, 2018.
- (*4) These investments were classified as investment in joint ventures as the Company has joint control pursuant to the agreement with the other shareholders.
- (*5) The Company sold 241,055 shares during the six-month period ended June 30, 2018, and reclassified the remaining 766,088 shares to non-current assets held for sale upon the contract to sell the remaining shares.

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For the six-month periods ended June 30, 2018 and 2017

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

- (4) The market price of investments in listed subsidiaries as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

	June 30, 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	₩ 8,250	21,826,296	180,067	5,580	21,826,296	121,790

- (5) The market price of investments in listed associates as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

	June 30, 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.	₩ 5,670	6,960,445	39,466	5,950	6,960,445	41,415
SK hynix Inc.	85,700	146,100,000	12,520,770	76,500	146,100,000	11,176,650
S.M.Culture & Contents Co.,Ltd.	2,665	22,033,898	58,720	2,700	22,033,898	59,492

8. Property and Equipment

Details of the changes in property and equipment for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

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

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For the six-month periods ended June 30, 2018 and 2017

8. Property and Equipment, Continued

Details of the changes in property and equipment for the six-month periods ended June 30, 2018 and 2017 are as follows, Continued:

(In millions of won)

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

9. Intangible Assets

(1) Details of the changes in intangible assets for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

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

₩ 3,089,545	10,869	(1,496)	81,007	(347,041)	2,832,884
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(In millions of won)

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

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9. Intangible Assets, Continued

(2) Details of frequency usage rights as of June 30, 2018 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license	₩ 121,632	CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	439,670	LTE service	Sept. 2013	Dec. 2021
WiBro license	1,783	WiBro service	Mar. 2012	Mar. 2019
2.6GHz license	1,032,060	LTE service	Sept. 2016	Dec. 2026
2.1GHz license	379,851	W-CDMA and LTE service	Dec. 2016	Dec. 2021
	₩ 1,974,996			

The Company participated in the frequency license allocation auction hosted by Ministry of Science and Information and Communication Technology (ICT) and was selected for the 3.5GHz and 28GHz license allocation during the six-month period ended June 30, 2018. The considerations payable for the bands of frequency are ₩1,218,500 million and ₩207,300 million, respectively. These bands of frequency are to be allocated in December 2018 as the Company pays the initial lump sum during November 2018, and then the annual payments in installment of the remaining balance will be made for the next ten and five years, respectively. The Company will recognize these frequency licenses at the initial lump sum as intangible assets and will amortize when the bands of frequency are in the condition necessary for them to be capable of operating in the manner intended by management.

10. Borrowings and Debentures

(1) Changes in borrowings for the six-month period ended June 30, 2018 are as follows:

(In millions of won)

	Lender	Annual interest rate (%)	Maturity	Book value
Current				₩ 12,031

Non-current				42,486
As of January 1, 2018				54,517
Borrowings repaid		Export		
		Kreditnamnden	1.70	2022. 4. 29
				(6,200)
Other changes(*):				2,499
Current				12,631
Non-current				38,185
As of June 30, 2018				50,816

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and changes in present value discount during the six-month period ended June 30, 2018.

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SK TELECOM CO., LTD.

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10. Borrowings and Debentures, Continued

(2) Changes in debentures for the six-month period ended June 30, 2018 are as follows:

(In thousands of other currencies, In millions of won)

	Purpose	Annual interest rate(%)	Maturity	Face value	Book value
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 fund	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
				535,000	529,566
Global unsecured corporate bonds	Operating fund	3.75	Apr. 16, 2023	USD 500,000	USD 500,000
				₩ 1,035,000	1,027,541
Debentures repaid:					
Unsecured corporate bonds	Other fund	5.00	Mar. 3, 2018	(200,000)	(200,000)
Global unsecured corporate bonds	Operating fund	2.13	May. 1, 2018	(746,550)	(746,550)
				USD 700,000	USD 700,000
				₩ (946,550)	(946,550)
Other changes(*):				58,411	60,393
Current				340,000	339,777
Non-current				5,277,099	5,255,471

As of June 30, 2018 ₩ 5,617,099 5,595,248

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated debentures and changes in present value discount during the six-month period ended June 30, 2018.

11. Long-term Payables - other

(1) As of June 30, 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):

(In millions of won)

	June 30, 2018	December 31, 2017
Long-term payables - other	₩ 1,407,388	1,710,255
Present value discount on long-term payables - other	(67,514)	(79,874)
Current installments of long-term payables - other	(299,113)	(301,751)
Carrying amount at period end	₩ 1,040,761	1,328,630

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11. Long-term Payables - other, Continued

- (2) The Company repaid ₩302,867 million of the principal amount of long-term payables - other related to the acquisition of frequency usage rights during the six-month period ended June 30, 2018. The repayment schedule of the principal amount of long-term payables - other as of June 30, 2018 is as follows:

<i>(In millions of won)</i>	Amount
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 six-month periods ended June 30, 2018 and 2017 are as follows:

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

<i>(In millions of won)</i>	For the six-month period ended June 30, 2017				As of June 30, 2017		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 24,710	2	(4,902)		19,810	19,810	

Provision for restoration	53,022	1,588	(400)	(232)	53,978	37,745	16,233
Emission allowance	2,788	2,401	(518)	(2,283)	2,388	2,388	
	₩ 80,520	3,991	(5,820)	(2,515)	76,176	59,943	16,233

13. Derivatives

Changes in derivative contracts for the six-month period ended June 30, 2018 are as follows:

(In thousands of other currencies)

	Date	Hedged items		Contract type	Hedging instruments	
		Item	Risk type		Counterparty	Contract term
Expired	Nov. 1, 2012	Fixed rate foreign currency bond				Nov. 1, 2012 ~
		(par value USD 700,000)	Currency risk	Currency swap contract	Standard Chartered and 8 others	May 1, 2018
New	Apr. 16, 2018	Fixed rate foreign currency bond				Apr. 16, 2018 ~
		(par value USD 500,000)	Currency risk	Currency swap contract	The Export-Import Bank of Korea and 3 others	Apr. 16, 2023

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14. Defined Benefit Liabilities (Assets)

- (1) Details of defined benefit liabilities (assets) as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Present value of defined benefit obligations	₩ 305,092	278,778
Fair value of plan assets	(321,768)	(318,860)
Defined benefit assets	₩ (16,676)	(40,082)

- (2) Changes in defined benefit obligations for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Beginning balance	₩ 278,778	240,289
Current service cost	20,188	19,398
Interest cost	4,268	3,212
Remeasurement:		
- Adjustment based on experience	4,289	8,045
Benefit paid	(5,886)	(5,599)
Others	3,455	8,720
Ending balance	₩ 305,092	274,065

- (3) Changes in plan assets for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Beginning balance	₩ 318,860	265,076
Interest income	4,757	3,328

Remeasurement	(1,372)	(361)
Contribution	9,000	20,000
Benefit paid	(15,642)	(24,034)
Others	6,165	6,375
Ending balance	₩ 321,768	270,384

- (4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2018	June 30, 2017
Current service cost	₩ 20,188	19,398
Net interest income	(489)	(116)
	₩ 19,699	19,282

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15. Contract assets and liabilities

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

Details of contract assets and liabilities as of June 30, 2018 and January 1, 2018 are as follows:

(In millions of won)

	June 30, 2018	January 1, 2018
Contract assets:		
allocation of performance obligations	6,293	
	₩ 6,293	
Contract liabilities:		
wireless service contracts	17,094	16,577
customer loyalty programs	13,681	10,739
others	27,706	16,729
	₩ 58,481	44,045

16. Share Capital and Capital Surplus and Others

The Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common stocks and the details of capital surplus and others as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

	June 30, 2018	December 31, 2017
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 capital surplus	2,915,887	2,915,887
Treasury shares	(2,260,626)	(2,260,626)

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Hybrid bonds (Note 18)	398,759	398,518
Share option (Note 17)	703	414
Others	(683,780)	(682,298)
	₩ 370,943	371,895

There were no changes in share capital for the six-month periods ended June 30, 2018 and 2017 and details of shares outstanding as of June 30, 2018 and 2017 are as follows:

(In shares)

	June 30, 2018			June 30, 2017		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Issued shares	80,745,711	10,136,551	70,609,160	80,745,711	10,136,551	70,609,160

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17. Share option

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

	Series			
	1-1	1-2	1-3	2
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 ~ Mar. 24, 2022	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 2024	Feb. 21, 2020 ~ Feb. 20, 2023
Vesting conditions	2 years service from the grant date	3 years service from the grant date	4 years service from the grant date	2 years service from the grant date

- (2) 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 compensation expense	
During the year ended December 31, 2017	₩	414
During the six-month period ended June 30, 2018		289
In subsequent periods		825
	₩	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 grant dates of the share-based payment plans are as follows:

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	1-1	1-2	1-3	2
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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18. Hybrid Bonds

The Company repaid the hybrid bonds during the six-month period ended June 30, 2018 and issued new hybrid bonds at par, and the details are as follows:

(In millions of won)

	Type	Issue date	Maturity date(*1)	Interest rate (%)(*2)	Amount
2-1 Private equity bond securities	Unsecured subordinated coupon bond	2018. 6. 7	2078. 6. 7	3.70	300,000
2-2 Private equity bond securities	Unsecured subordinated coupon bond	2018. 6. 7	2078. 6. 7	3.65	100,000
Issuing cost					(1,241)
					398,759

As there is no contractual obligation to deliver financial assets to the holders of hybrid bonds, the Company classified the hybrid bonds as equity. When in liquidation or bankruptcy, these hybrid bonds are senior only to common stocks.

(*1) The Company may extend the maturity without any notice or announcement.

(*2) The interest rate of the hybrid bonds is determined by applying additional interest on a five-year Korea national bond interest rate. In addition, according to Step-up clause, 0.25%p adds on the rate of return after 10 years from the issuance and another 0.75%p after 25 years from the issue date

19. Retained Earnings

Retained earnings as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Appropriated:		

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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
	13,852,438	13,242,438
Unappropriated	2,349,276	1,247,798
	₩ 16,224,034	14,512,556

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20. Reserves

(1) Details of reserves, net of taxes, as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Valuation gain on financial assets at FVOCI	₩ 48,121	
Valuation gain on available-for-sale financial assets		148,873
Valuation loss on derivatives	(80,578)	(70,572)
	₩ (32,457)	78,301

(2) Changes in reserves for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	Valuation gain (loss) on financial assets at FVOCI	Valuation gain (loss) on available-for-sale financial assets	Valuation gain (loss) on derivatives	Total
Balance at January 1, 2017	₩	28,963	(90,756)	(61,793)
Changes, net of taxes		99,347	5,804	105,151
Balance at June 30, 2017		128,310	(84,952)	43,358
Balance at December 31, 2017		148,873	(70,572)	78,301
Impact of adopting K-IFRS No.1109	90,484	(148,873)		(58,389)
Balance at January 1, 2018	90,484		(70,572)	19,912
Changes, net of taxes	(42,363)		(10,006)	(52,369)
Balance at June 30, 2018	₩ 48,121		(80,578)	(32,457)

21. Operating revenue

Disaggregation of operating revenues considering the economic factors that affect the amounts, timing and uncertainty of the Company's revenue and future cash flows is as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Products transferred at a point in time:				
Product sales	₩ 36,694	69,967	42,950	89,543
Services transferred over time:				
Wireless service revenue(*1)	2,497,727	5,066,607	2,697,722	5,359,993
Cellular interconnection revenue	156,064	306,936	144,683	317,352
Other(*2)	251,350	486,863	224,275	430,698
	2,905,141	5,860,406	3,066,680	6,108,043
	₩ 2,941,835	5,930,373	3,109,630	6,197,586

(*1) Wireless service revenue includes revenue from wireless voice and data transmission services principally derived through usage charges paid by the wireless subscribers.

(*2) Other revenue includes revenue from IoT solutions as well as other miscellaneous wireless services.

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

22. Other Operating Expenses

Details of other operating expenses for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Communication	₩ 7,131	14,164	6,121	12,488
Utilities	49,737	107,553	49,921	106,516
Taxes and dues	11,747	15,851	2,802	7,274
Repair	63,298	116,674	56,215	106,772
Research and development	79,973	151,184	73,490	144,739
Training	4,798	11,693	4,447	9,330
Bad debt for accounts receivable - trade	4,107	8,593	7,107	8,352
Other	9,866	21,824	7,594	18,888
	₩ 230,657	447,536	207,697	414,359

23. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Non-operating Income:	₩ 886	1,000	552	4,564

Gain on disposal of property and equipment
and intangible assets

Others	3,483	15,494	2,112	4,756
	₩ 4,369	16,494	2,664	9,320

Other Non-operating Expenses:

Loss on disposal of property and

equipment and intangible assets	₩ 15,589	15,979	1,895	3,655
Donations	12,211	28,150	18,568	30,694
Bad debt for accounts receivable - other	775	1,498		2,177
Others	1,251	2,377	1,387	2,932
	₩ 29,826	48,004	21,850	39,458

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24. Finance Income and Costs

- (1) Details of finance income and costs for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Income:				
Interest income	₩ 12,690	24,284	9,089	29,397
Gain on sale of accounts receivable - trade	4,390	8,139	4,065	9,090
Dividends	1,676	162,918	1,612	99,423
Gain on foreign currency transactions	5,093	8,469	4,236	5,439
Gain on foreign currency translations	1,588	1,604	1,432	184
Gain relating to financial assets at fair value through profit or loss	700	1,692		465
Gain on disposal of long-term investment securities			91	2,358
Gain on valuation of derivatives	578	897	476	831
	₩ 26,715	208,003	21,001	147,187

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Costs:				
Interest expenses	₩ 57,450	118,383	61,946	123,597
Loss on foreign currency transactions	3,119	8,650	3,362	6,443
Loss on foreign currency translations	1	65		490
Loss on disposal of long-term investment securities			507	556
Loss on settlement of derivatives	12,156	12,156	8,910	8,910
Loss relating to financial assets at	378	578	605	

fair value through profit or loss				
Loss relating to financial liabilities at fair value through profit or loss	492	780	198	529
	₩ 73,596	140,612	75,528	140,525

- (2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and short-term financial instruments	₩ 4,245	7,639	4,457	7,465
Interest income on installment receivables and others	8,445	16,645	4,632	21,932
	₩ 12,690	24,284	9,089	29,397

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24. Finance Income and Costs, Continued

- (3) Details of interest expenses included in finance costs for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expenses on borrowings	₩ 1,102	2,822	2,578	3,982
Interest expenses on debentures	45,150	90,978	45,654	90,033
Others	11,198	24,583	13,714	29,582
	₩ 57,450	118,383	61,946	123,597

- (4) Details of impairment losses on financial assets for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Accounts receivable - trade	₩ 4,107	8,593	7,107	8,352
Other receivables	775	1,498		2,177
	₩ 4,882	10,091	7,107	10,529

25. Income Tax Expense

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

26. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the three and six-month periods ended June 30, 2018 and 2017 are calculated as follows:

(In millions of won, shares)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Profit for the period	₩ 219,786	584,213	314,050	702,256
Interest on hybrid bond	(8,420)	(8,420)	(8,420)	(8,420)
Profit for the period available for common shares	211,366	575,793	305,630	693,836
Weighted average number of common shares outstanding	70,609,160	70,609,160	70,609,160	70,609,160
Basic earnings per share (in won)	₩ 2,993	8,155	4,328	9,826

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26. Earnings per Share, Continued

(1) Basic earnings per share, Continued

- 2) The weighted average number of common shares outstanding for the six-month periods ended June 30, 2018 and 2017 are calculated as follows:

<i>(In shares)</i>	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Issued common shares at January 1, 2018	80,745,711	80,745,711	80,745,711
Effect of treasury shares	(10,136,551)	(10,136,551)	(10,136,551)
Weighted average number of common shares outstanding at June 30, 2018	70,609,160	70,609,160	70,609,160

<i>(In shares)</i>	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Issued common shares at January 1, 2017	80,745,711	80,745,711	80,745,711
Effect of treasury shares	(10,136,551)	(10,136,551)	(10,136,551)
Weighted average number of common shares outstanding at June 30, 2017	70,609,160	70,609,160	70,609,160

(2) Diluted earnings per share

For the six-month periods ended June 30, 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 June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018				Total
	Financial assets at FVTPL	Equity instruments at FVOCI	Financial assets at amortized cost	Derivatives- hedging instrument	
Cash and cash equivalents	₩		1,055,703		1,055,703
Financial instruments			79,882		79,882
Short-term investment securities	47,547				47,547
Long-term investment securities(*)	67,267	597,225			664,492
Accounts receivable - trade			1,385,039		1,385,039
Loans and other receivables	843,622		528,305		1,371,927
Derivative financial assets	9,950			41,908	51,858
	₩968,386	597,225	3,048,929	41,908	4,656,448

(*) The Company designated ₩597,225 million of equity instruments that are 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 June 30, 2018 and December 31, 2017 are as follows, Continued

<i>(In millions of won)</i>	December 31, 2017				
	Financial assets at FVTPL	Available- for-sale financial assets	Loans and receivables	Derivatives- hedging instrument	Total
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
	₩ 9,054	771,986	4,019,888	21,554	4,822,482

(2) Financial liabilities by category as of June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives- hedging instrument	Total
Derivative financial liabilities	₩		1,400	1,400
Borrowings		50,816		50,816
Debentures(*)	61,058	5,534,189		5,595,248
Accounts payable - other and others		3,678,706		3,678,706
	₩ 61,058	9,263,711	1,400	9,326,170

- (*) Debentures classified as financial liabilities at FVTPL as of June 30, 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 FVTPL	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 FVTPL as of December 31, 2017 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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28. 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, borrowings, and debentures.

1) Market risk

(i) Currency risk

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

Monetary assets and liabilities denominated in foreign currencies as of June 30, 2018 are as follows:

(In millions of won, thousands of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	107,835	120,958	1,239,448	1,390,289
EUR	9,930	12,879	26	34
JPY	25,428	258	1,100	11
Others		724		
		₩ 134,819		₩ 1,390,334

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

As of June 30, 2018, a hypothetical change in exchange rates by 10% would have increased (reduced) the Company's income before income taxes as follows:

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 11,648	(11,648)
EUR	1,285	(1,285)
JPY	25	(25)
Others	72	(72)
	₩ 13,030	(13,030)

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

28. 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 June 30, 2018, floating-rate debentures amount to ₩336,510 million, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. Therefore, income before income taxes for the six-month period ended June 30, 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 June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018	December 31, 2017
Cash and cash equivalents	₩ 1,055,457	880,541
Financial instruments	79,882	94,382
Investment securities	900	900
Accounts receivable trade	1,385,039	1,520,209
Loans and other receivables	1,371,927	1,524,714
Derivative financial assets	51,858	30,608

₩ 3,945,063

4,051,354

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors. Based on such information, the Company establishes credit limits for each customer or counterparty.

The Company establishes an allowance for doubtful accounts on its estimated 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 payment statistics for similar financial assets. Also, the Company's credit risk can arise from transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of June 30, 2018.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

28. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

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

Contractual maturities of financial liabilities as of June 30, 2018 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings(*)	₩ 50,816	54,066	13,870	40,196	
Debentures(*)	5,595,248	6,936,723	518,236	3,312,462	3,106,025
Accounts payable - other and others	3,678,706	3,811,795	2,630,736	875,098	305,961
	₩9,324,770	10,802,584	3,162,842	4,227,756	3,411,986

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

(*) Includes interest payables.

As of June 30, 2018, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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Assets	₩ 41,908	37,108	19,539	49,125	(31,556)
Liabilities	(1,400)	(1,473)	(94)	(1,379)	
	₩ 40,508	35,635	19,445	47,746	(31,556)

(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.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

28. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018	December 31, 2017
Total liabilities	₩ 10,390,293	10,550,131
Total equity	16,607,159	15,007,391
Debt-equity ratios	62.57%	70.30%

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2018 are as follows:

<i>(In millions of won)</i>	Carrying amount	June 30, 2018			Total
		Level 1	Level 2	Level 3	
Financial assets that are measured at fair value:					
FVTPL	₩ 968,386		901,119	67,267	968,386
Derivative financial assets	41,908		41,908		41,908
FVOCI	597,225	530,850		66,375	597,225
	₩ 1,607,519	530,850	943,027	133,642	1,607,519

Financial liabilities that are measured at fair value:

FVTPL	₩ 61,058		61,058		61,058
Derivative financial liabilities		1,400	1,400		1,400

	₩ 62,458	62,458	62,458
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Financial liabilities that are not measured at fair value:

Borrowings	₩ 50,816	51,426	51,426
Debentures	5,534,190	5,835,986	5,835,986
Long-term payables - other	1,339,874	1,423,929	1,423,929
	₩ 6,924,880	7,311,341	7,311,341

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

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:

<i>(In millions of won)</i>	Carrying amount	December 31, 2017			Total
		Level 1	Level 2	Level 3	
Financial assets that are measured at fair value:					
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
Financial liabilities that are measured at fair value:					
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
Financial liabilities that are not measured at fair value:					
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 classified as financial assets at FVOCI that are traded in an active market 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.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

28. Financial Risk Management, Continued

(3) Fair value, Continued

Interest rates used by the Company for the fair value measurement as of June 30, 2018 are as follows:

	Interest rate
Derivative instruments	1.47% ~ 2.83%
Borrowings and debentures	2.51% ~ 2.53%
Long-term payables - other	2.23% ~ 2.58%

- 3) There have been no transfers between Level 2 to Level 1 for the six-month period ended June 30, 2018. Changes of financial assets classified as Level 3 for the six-month period ended June 30, 2018 are as follows:

<i>(In millions of won)</i>	Balance at January 1, 2018	Impact of adopting K-IFRS No. 1109	Gain or loss for the period	OCI Acquisition	Disposal	Balance at June 30, 2018
Available-for-sale financial assets	₩ 2,546	(2,546)				
FVTPL		71,139	1	90	(3,963)	67,267
FVOCI		67,804		900	(2,329)	66,375
	₩ 2,546	136,397	1	990	(6,292)	133,642

- (4) Enforceable master netting agreement or similar agreement
Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2018 and December 31, 2017 are as follows:

<i>(In millions of won)</i>		June 30, 2018				
		Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:						
Derivatives(*)		₩51,858		51,858	(1,400)	50,458
Accounts receivable trade and others		90,758	(90,688)	70		70
		₩ 142,616	(90,688)	51,928	(1,400)	50,528
Financial liabilities:						
Derivatives(*)		₩1,400		1,400	(1,400)	
Accounts payable other and others		90,688	(90,688)			
		₩ 92,088	(90,688)	1,400	(1,400)	

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 June 30, 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	
Financial assets:					
Derivatives(*)	₩ 26,297		26,297	(19,781)	6,516
Accounts receivable trade and others	88,901	(88,301)	600		600
	₩ 115,198	(88,301)	26,897	(19,781)	7,116
Financial liabilities:					
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.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others

(1) List of related parties

Relationship	Company
Ultimate Controlling Entity	SK Holdings Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 41 others(*)
Joint ventures	Dogus Planet, Inc. and 2 others
Associates	SK Hynix Inc. and 38 others
Others	The Ultimate Controlling Entity's other subsidiaries and associates, etc.

(*) As of June 30, 2018, subsidiaries of the Company are as follows:

	Company	Ownership percentage(%)(*1)	Types of business
Subsidiaries owned by the Company	SK Telink Co., Ltd.	100.0	Telecommunication and MVNO(Mobile Virtual Network Operator) service
	SK Communications Co., Ltd.	100.0	Internet website services
	SK Broadband Co., Ltd.	100.0	Telecommunication services
	PS&Marketing Corporation	100.0	Communications device retail business
	SERVICEACE Co., Ltd.	100.0	Customer center management service
	SERVICE TOP Co., Ltd.	100.0	Customer center management service
	Network O&S Co., Ltd.	100.0	Base station maintenance service
	SK Telecom China Holdings Co., Ltd.	100.0	Investment
	SK Global Healthcare Business Group Ltd.	100.0	Investment
	SKT Vietnam PTE. Ltd.	73.3	Telecommunication services
	YTK Investment Ltd.	100.0	Investment

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	Atlas Investment	100.0	Investment
	SKT Americas, Inc.	100.0	Information gathering and consulting
	SK techx Co., Ltd.	100.0	System software development and supply
	One Store Co., Ltd.	65.5	Telecommunication services
	SK Planet Co., Ltd.	98.1	Telecommunication services
	IRIVER LIMITED	45.9	Manufacturing of media and audio equipment
	FSK L&S Co., Ltd.(*2)	60.0	Freight forwarding and logistics consulting
	SK Telecom Japan Inc.(*3)	100.0	Information gathering and consulting
	id Quantique SA(*4)	58.1	Quantum information and communications service
Subsidiaries owned by SK Planet Co., Ltd.	SK m&service Co.,Ltd.	100.0	Database and internet website service
	SK Planet Japan, K. K.	79.5	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.	100.0	Investment
	shopkick, Inc.	100.0	Reward points-based in-store shopping app development
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.(*5)	100.0	Selling of contents and MQS album
	NSOK Co., Ltd.	100.0	Security systems service

Subsidiaries owned by SK
Telink Co., Ltd.

Subsidiaries owned by SK techx Co., Ltd.	K-net Culture and Contents Venture Fund	59.0	Capital investing in startups
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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others, Continued

(1) List of related parties, Continued

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.(*3)	66.0	Transportation services
Others(*6)	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) FSK L&S Co., Ltd. was acquired from SK Holdings Co., Ltd., the Ultimate Controlling Entity, during the six-month period ended June 30, 2018.

(*3) SK Telecom Japan Inc. was established during the six-month period ended June 30, 2018.

(*4) The Company additionally acquired shares of id Quantique SA during the six-month ended June 30, 2018 and reclassified the investee as the investment in subsidiaries.

(*5) groovers Inc. became one of the subsidiaries of IRIVER LIMITED as a result of the acquisition of additional ownership interests during the six-month period ended June 30, 2018.

(*6) 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 to the key management personnel

The Company considers registered directors (3 inside and 5 outside directors) who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management personnel. The compensation given to such key management personnel for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	For the period ended June 30			
	Three- month	Six- month	Three- month	Six- month
Salaries	₩ 479	3,216	331	1,499
Defined benefits plan expenses	121	678	85	92
Share option	137	271	133	145
	₩ 737	4,165	549	1,736

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

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For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others, Continued

(3) Transactions with related parties for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

Scope	Company	2018					
		For the period ended June 30				Acquisition of property and equipment	
		Operating revenue and others		Operating expense and others		Three-month and Six-month	
		Three-month	Six-month	Three-month	Six-month	Three-month	Six-month
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 2,913	5,811	72,688	331,970	5,242	6,768
Subsidiaries	SK Broadband Co., Ltd.	27,789	57,718	133,266	263,650	4,347	4,347
	PS&Marketing Corporation(*2)	2,804	6,054	370,845	737,902		62
	Network O&S Co., Ltd.	1,062	2,054	58,825	105,867	10,050	10,050
	SK Planet Co., Ltd.	8,043	14,391	6,631	14,023	167	167
	SK Telink Co., Ltd.	14,443	29,133	5,771	11,226		
	Service Ace Co., Ltd.	1,935	3,868	32,083	65,292		
	Service Top Co., Ltd.	2,148	4,292	39,511	79,317		
	SK techx Co., Ltd	1,177	2,561	38,075	84,297	810	1,282
	Others	6,306	12,571	9,700	21,479	809	2,653
		65,707	132,642	694,707	1,383,053	16,183	18,561
Associates	F&U Credit information Co., Ltd.	394	788	11,796	23,257		
	HappyNarae Co., Ltd.	30	53	2,060	4,784	17,132	21,254
	SK hynix Inc.(*3)	4,929	156,893	178	206		
	KEB HanaCard Co., Ltd.	4,906	8,938	8,286	12,317		
	Others(*4)	292	2,259	5,130	18,134	123	123

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		10,551	167,255	27,450	58,698	17,255	21,377
Other	SK Engineering & Construction Co., Ltd.	1,409	1,958	134	134		
	SK Innovation Co., Ltd.	2,165	4,168	338	519		
	SK Networks Co., Ltd.	3,064	5,805	3,244	7,679	67	67
	SK Networks service Co., Ltd.	164	316	11,174	22,860	1,554	1,560
	SK Telesys Co., Ltd.	55	103	232	439	20,933	27,198
	SK TNS Co., Ltd.	25	50	6,364	6,757	77,018	89,167
	SK energy Co., Ltd	746	1,333	141	145		
	SKC Infra Services Co., Ltd	29	33	2,067	4,470		506
	SK Infosec Co., Ltd	74	76	8,456	15,116	1,084	1,121
	Others	2,770	5,759	1,437	2,485		
		10,501	19,601	33,587	60,604	100,656	119,619
		₩ 89,672	326,985	828,432	1,834,325	139,336	166,325

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others, Continued

- (3) Transactions with related parties for the six-month periods ended June 30, 2018 and 2017 are as follows, Continued:

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

(*2) Operating expenses and others include ₩426,952 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.

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

(In millions of won)

Scope	Company	2017					
		For the period ended June 30					
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month	Six-month	Three-month	Six-month	Three-month	Six-month
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 2,143	4,823	80,370	330,279	35,924	61,010
Subsidiaries	SK Broadband Co., Ltd.	28,785	56,271	132,072	277,189	2,776	2,864
	PS&Marketing Corporation(*2)	3,104	7,154	349,163	686,367	480	480
	Network O&S Co., Ltd.	1,171	1,929	56,185	108,173	1,902	4,421

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	SK Planet Co., Ltd.	6,944	14,063	5,748	11,509	36	36
	SK Telink Co., Ltd.	16,105	30,578	4,566	9,051		
	Service Ace Co., Ltd.	1,992	3,968	32,622	65,317		
	Service Top Co., Ltd.	2,115	4,244	34,136	68,462		
	SK techx Co., Ltd	295	1,078	46,335	94,097	282	282
	Others	7,388	14,159	8,079	19,842	881	935
		67,899	133,444	668,906	1,340,007	6,357	9,018
Associates	F&U Credit information Co., Ltd.	414	820	10,626	22,864	37	37
	HappyNarae Co., Ltd.	3	3	2,398	7,987	10,230	12,482
	SK hynix Inc.(*3)	5,849	97,369	182	213		
	KEB HanaCard Co., Ltd.	4,577	9,174	3,714	7,400	43	43
	Others(*4)	1,901	2,188	4,420	25,489	151	151
		12,744	109,554	21,340	63,953	10,461	12,713
Other	SK Engineering & Construction Co., Ltd.	1,724	2,342	141	141		
	SK Innovation Co., Ltd.	1,407	2,943	309	490		
	SK Networks Co., Ltd.	4,527	7,313	4,146	8,260	281	281
	SK Networks service Co., Ltd.			5,974	17,819	302	302
	SK Telesys Co., Ltd.	28	83	473	719	18,843	27,563
	SK TNS Co., Ltd.	24	49	6,146	6,393	49,437	65,054
	Others	2,513	4,660	11,864	23,489	2,025	2,100
		10,223	17,390	29,053	57,311	70,888	95,300
Total		₩ 93,009	265,211	799,669	1,791,550	123,630	178,041

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others, Continued

- (3) Transactions with related parties for the six-month periods ended June 30, 2018 and 2017 are as follows, Continued:

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

(*2) Operating expenses and others include ₩330,097 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.

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

- (4) Account balances with related parties as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

Scope	Company	Loans	June 30, 2018	
			Accounts receivable Accounts receivable- trade and others	Accounts payable Accounts payable- other and others
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩	1,450	31,293
Subsidiaries	SK Broadband Co., Ltd.		8,166	45,975
	PS&Marketing Corporation		123	75,268
	Network O&S Co., Ltd.		213	34,976
	SK Planet Co., Ltd.		4,623	15,235
	SK Telink Co., Ltd.		9,188	4,209
			60	19,377

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	SERVICE ACE Co., Ltd.			
	SERVICE TOP Co., Ltd.	141		21,140
	SK techx Co., Ltd.	427		24,761
	One Store Co., Ltd.	979		24,254
	SK m&service Co.,Ltd.	3,421		4,999
	Others	329		11,372
			27,670	281,566
Associates	HappyNarae Co., Ltd.	8		1,620
	SK hynix Inc.	1,769		181
	Wave City Development Co., Ltd.(*)	37,263		
	Daehan Kanggun BcN Co., Ltd.(*)	22,147		
	KEB HanaCard Co., Ltd.	3,475		10,863
	F&U Credit InformationCo., Ltd.	74		1,258
	Others	611	3,459	336
			22,758	46,048
Other	SK Engineering and Construction Co., Ltd.	97		147
	SK Networks Co., Ltd.	1,731		396
	SK Networks Services Co., Ltd.	11		9,321
	SK Telesys Co., Ltd.	27		2,150
	SK Innovation Co., Ltd.	2,323		338
	SK TNS Co., Ltd.	8		36,763
	Others	1,801		9,548
			5,998	58,663
Total		₩ 22,758	81,166	385,780

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

29. Related Parties and Others, Continued

(4) Account balances with related parties as of June 30, 2018 and December 31, 2017 are as follows, Continued:

(*) As of June 30, 2018, the Company recognized the entire balance of loans and accounts receivable as loss allowances.

(In millions of won)

Scope	Company	Loans	December 31, 2017	
			Accounts receivable trade and others	Accounts payable - 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

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	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
	Others	611	1,928	2,443
		22,758	44,655	19,481
Other	SK Engineering and Construction Co., Ltd.		1,413	69
	SK Networks Co., Ltd.		2,279	1,469
	SK Networks Services Co., Ltd.		14	8,646
	SK Telesys Co., Ltd.		26	397
	SK Innovation Co., 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 the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

30. Commitments and Contingencies

(1) Accounts receivables from sale of handsets

The sales agents of the Company sell handsets to the Company's subscribers on an installment basis. During the six-month period ended June 30, 2018, the Company entered into a comprehensive agreement to purchase the accounts receivables from handset sales with agents and to transfer the accounts receivables from handset sales to special purpose companies which were established with the purpose of liquidating receivables, respectively.

The accounts receivables from sale of handsets amounting to ₩935,773 million as of June 30, 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 June 30, 2018, the Company is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. In connection with those legal claims and litigation for which no provision was recognized, management does not believe the Company has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Company's financial position or operating results in the event an outflow of resources is ultimately necessary.

(3) Siren Holdings Korea Co., Ltd. stock purchase contract

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 residential customer base. 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 transaction is subject to government's approval, and terms and conditions of the contract may change in the course of obtaining approval and application of laws related to the approval, and the acquisition price may also change upon the price adjustment at the transaction date.

Blue Security Investments, LLC. will purchase 45% ownership of Siren Holdings Korea Co., Ltd. at the conclusion of transaction, and, according to the agreement with the shareholders along with the contract, the entire shares will be converted to cumulative and participating convertible preferred stocks as soon as possible. The holders of the convertible preferred stock can exercise the same voting right as the holders of the common stock. The convertible preferred stock has 1-to-1 conversion ratio to common stock without restriction and empowers the holders a right of priority to the dividends at 2% of their investments.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. Statements of Cash Flows

- (1) Adjustments for income and expenses not involving cash flows for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30,	June 30, 2017
	2018	
Gain on foreign currency translations	₩ (1,604)	(184)
Interest income	(24,284)	(29,397)
Dividends	(162,918)	(99,423)
Gain relating to financial assets at FVTPL	(1,692)	(465)
Gain on disposal of long-term investment securities		(2,358)
Gain on disposal of property and equipment and intangible assets	(1,000)	(4,564)
Gain on valuation of derivatives	(897)	(831)
Gain on sale of accounts receivable - other	(8,139)	(9,090)
Other incomes	(72)	
Loss on foreign currency translations	65	490
Bad debt for accounts receivable - trade	8,593	8,352
Bad debt for accounts receivable - other	1,498	2,177
Loss on disposal of long-term investments securities		556
Loss relating to financial assets at FVTPL	578	
Depreciation and amortization	1,253,390	1,234,386
Loss on disposal of property and equipment and intangible assets	15,979	3,655
Interest expenses	118,383	123,597
Loss relating to financial liabilities at FVTPL	780	529
Loss on valuation of derivatives	12,156	8,910
Loss on investments in subsidiaries and associates		15,305
Retirement benefit expenses	19,699	19,282
Share option	289	145
Income tax expense	189,204	160,707
Other expenses		162
	₩ 1,420,008	1,431,941

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2018	June 30, 2017
Accounts receivable - trade	₩ 114,762	(17,610)
Accounts receivable - other	147,405	40,005
Advance payments	6,646	16,066
Prepaid expenses	37,135	3,455
Inventories	4,633	150
Long-term accounts receivable - other	37,042	42,280
Guarantee deposits	(8,519)	7,057
Contract assets	(6,293)	
Accounts payable - other	(170,167)	(344,948)
Advanced receipts		(5,059)
Withholdings	55,763	103,082
Deposits received	(674)	(4,283)
Accrued expenses	(156,883)	(51,087)
Unearned revenue		(349)
Provisions	(3,761)	(129)
Long-term provisions	1,580	(3,601)
Plan assets	6,642	4,034
Retirement benefit payment	(5,886)	(5,599)
Contract liabilities	14,436	
Others	(3,346)	(30)
	₩ 70,515	(216,566)

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	June 30, 2018	June 30, 2017
	(292,135)	(317,987)

Decrease in accounts payable - other relating to the
acquisition of property and equipment and intangible assets

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

32. Subsequent Events**(1) Interim dividend**

The board of directors of the Company resolved to pay the interim dividend at the board meeting on July 26, 2018, and the details are as follows:

Interim dividend amount	₩1,000 per share (Total amount: ₩70,609 million)
Dividend rate	0.4%
Dividend date	June 30, 2018
Date of distribution	According to Article 464 Commercial Act 2-1, the Company is to distribute dividends by August 26, 2018.

(2) Paid-in capital increase of subsidiaries

IRVIER LIMITED, one of the Company's subsidiaries, resolved to increase its capital by allocating new issue of common shares to third parties with cash consideration of ₩70,000 million at the board of directors' meeting on July 26, 2018, and is to issue 7,990,867 common shares accordingly. In connection with this capital increase, the Company invested ₩65,000 million in cash and acquired 7,420,091 common shares of IRVIER LIMITED on August 10, 2018, which increased its ownership over IRVIER LIMITED from 45.9% to 53.7%.

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SK TELECOM CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 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 June 30, 2018, the condensed consolidated statements of income and comprehensive income for the three and six-month periods ended June 30, 2018 and 2017, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 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 draw the attention of the users of the above-mentioned financial statements of the Group to the matter described in Note 3 to the condensed consolidated

financial statements. The Group has initially adopted K-IFRS Nos. 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 or six-month period ended June 30, 2017, presented for comparative purposes, in accordance with transition requirements of the standards. The financial impacts of applying K-IFRS Nos. 1109 and 1115 are discussed in Note 3.

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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

August 13, 2018

This report is effective as of August 13, 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.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of June 30, 2018 and December 31, 2017

<i>(In millions of won)</i>	Note	June 30, 2018	December 31, 2017
Assets			
Current Assets:			
Cash and cash equivalents	3,30,31	₩ 1,796,190	1,457,735
Short-term financial instruments	3,30,31,33	419,283	616,780
Short-term investment securities	3,9,30,31	119,547	144,386
Accounts receivable trade, net	3,5,30,31,32	1,987,902	2,126,007
Short-term loans, net	3,5,30,31,32	74,904	62,830
Accounts receivable other, net	3,5,30,31,32,33	1,097,106	1,260,835
Prepaid expenses	3,6	1,862,925	197,046
Contract assets	3,7	92,183	
Inventories, net	8	259,298	272,403
Non-current assets held for sale	10	42,711	
Derivative financial assets	19	15,547	
Advance payments and other	3,5,30,31,32	46,732	63,777
Total Current Assets		7,814,328	6,201,799
Non-Current Assets:			
Long-term financial instruments	3,30,31	1,219	1,222
Long-term investment securities	3,9,30,31	1,064,907	887,007
Investments in associates and joint ventures	12	11,004,762	9,538,438
Property and equipment, net	13,32,33	9,534,852	10,144,882
Goodwill	11	1,954,244	1,915,017
Intangible assets, net	14	3,341,694	3,586,965
Long-term contract assets	3,7	35,232	
Long-term loans, net	3,5,30,31,32	47,846	50,874
Long-term accounts receivable - other	3,5,30,31,33	248,076	287,048
Long-term prepaid expenses	3,6	803,320	90,834
Guarantee deposits	3,5,30,31,32	300,362	292,590
Long-term derivative financial assets	3,19,30,31	52,018	253,213
Defined benefit assets	18	18,821	45,952
Deferred tax assets	3,28	81,513	88,132
Other non-current assets	5,30,31	33,563	44,696
Total Non-Current Assets		28,522,429	27,226,870
Total Assets		₩ 36,336,757	33,428,669

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2018 and December 31, 2017

<i>(In millions of won)</i>	Note	June 30, 2018	December 31, 2017
Liabilities and Shareholders Equity			
Current Liabilities:			
Short-term borrowings	15,30,31	₩ 45,890	130,000
Current installments of long-term debt, net	15,30,31	973,273	1,530,948
Current installments of long-term payables - other	16,30,31	299,526	302,703
Accounts payable - trade	30,31,32	263,198	351,711
Accounts payable - other	30,31,32	1,319,324	1,867,074
Receipts in advance	3		161,266
Withholdings	3,30,31,32	1,243,248	961,501
Contract liabilities	3,7	113,841	
Accrued expenses	30,31	1,230,984	1,327,906
Income tax payable	28	223,096	219,791
Unearned revenue	3		175,732
Derivative financial liabilities	19,30,31		28,406
Provisions	3,17	46,876	52,057
Other current liabilities			28
Total Current Liabilities		5,759,256	7,109,123
Non-Current Liabilities:			
Debentures, excluding current installments, net	15,30,31	6,457,385	5,596,570
Long-term borrowings, excluding current installments, net	15,30,31	146,643	211,486
Long-term payables - other	16,30,31	1,058,411	1,346,763
Long-term unearned revenue	3		7,052
Long-term contract liabilities	3,7	20,104	
Defined benefit liabilities	18	94,520	61,960
Long-term derivative financial liabilities	19,30,31	1,532	11,064
Long-term provisions	17	32,421	32,669
Deferred tax liabilities	3,28	1,812,638	978,693
Other non-current liabilities	3,30,31	45,098	44,094
Total Non-Current Liabilities		9,668,752	8,290,351
Total Liabilities		15,428,008	15,399,474
Shareholders Equity			
Share capital	1,20	44,639	44,639
Capital surplus and others	11,20,21,22	189,516	196,281

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Retained earnings	3,23	20,754,708	17,835,946
Reserves	3,24	(283,876)	(234,727)
Equity attributable to owners of the Parent Company		20,704,987	17,842,139
Non-controlling interests		203,762	187,056
Total Shareholders Equity		20,908,749	18,029,195
Total Liabilities and Shareholders Equity		₩ 36,336,757	33,428,669

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three and six-month periods ended June 30, 2018 and 2017

(In millions of won except for per share data)

		June 30, 2018		June 30, 2017	
	Note	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Operating revenue:	3,4,32				
Revenue		₩ 4,154,324	8,335,861	4,345,593	8,579,958
Operating expenses:	3,32				
Labor		535,556	1,085,527	465,087	927,928
Commissions	3	1,216,856	2,478,955	1,367,292	2,730,628
Depreciation and amortization	4	767,722	1,553,701	766,167	1,527,883
Network interconnection		218,829	433,789	213,024	434,104
Leased line		76,484	157,145	83,383	171,199
Advertising		110,475	210,592	123,448	208,876
Rent		131,144	262,757	132,414	265,485
Cost of products that have been resold		398,961	809,820	445,407	847,569
Others	25	351,403	671,205	326,105	632,518
		3,807,430	7,663,491	3,922,327	7,746,190
Operating profit	4	346,894	672,370	423,266	833,768
Finance income	4,27	34,563	84,360	27,254	75,130
Finance costs	4,27	(93,172)	(178,051)	(139,963)	(226,612)
Other non-operating income	4,26	5,425	22,345	7,167	15,436
Other non-operating expenses	4,26	(46,265)	(73,232)	(67,587)	(103,326)
Gain on investments in associates and joint ventures	4,12	915,597	1,542,240	498,289	878,250
Profit before income tax	4	1,163,042	2,070,032	748,426	1,472,646
Income tax expense	28	248,741	462,359	127,915	268,654
Profit for the period		₩ 914,301	1,607,673	620,511	1,203,992
Attributable to:					
Owners of the Parent Company		₩ 916,652	1,611,611	624,889	1,214,023
Non-controlling interests		(2,351)	(3,938)	(4,378)	(10,031)
Earnings per share:	29				
Basic and diluted earnings per share (in won)		₩ 12,863	22,705	8,731	17,074

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2018 and 2017

(In millions of won)

	<i>Note</i>	June 30, 2018		June 30, 2017	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Profit for the period		₩914,301	1,607,673	620,511	1,203,992
Other comprehensive income (loss):					
Items that will never be reclassified to profit or loss, net of taxes:					
		(19,559)			
Remeasurement of defined benefit liabilities	18	2,412	(10,738)	1,409	(9,878)
Valuation loss on financial assets at fair value through other comprehensive income	24	(21,971)	(41,892)		
Items that are or may be reclassified subsequently to profit or loss, net of taxes:		32,547	63,530	148,600	49,804
Net change in unrealized fair value of available-for-sale financial assets	24			82,782	131,987
Net change in other comprehensive income of investments in associates and joint ventures	12,24	9,524	48,085	41,088	(61,279)
Net change in unrealized fair value of derivatives	19,24	717	(8,961)	14,694	5,924
Foreign currency translation differences for foreign operations	24	22,306	24,406	10,036	(26,828)
Other comprehensive income for the period, net of taxes		12,988	10,900	150,009	39,926
Total comprehensive income		₩927,289	1,618,573	770,520	1,243,918
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		₩929,650	1,622,244	774,020	1,253,700
Non-controlling interests		(2,361)	(3,671)	(3,500)	(9,782)

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2018 and 2017

(In millions of won)

	Note	Controlling Interest			Reserves	Total	Non-controlling interests	Total equity
		Share and other capital	adjustments	Retained earnings				
Balance, January 1, 2017		₩ 44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
Total comprehensive income:								
Profit for the period				1,214,023		1,214,023	(10,031)	1,203,992
Other comprehensive income (loss)	18,24			(9,881)	49,558	39,677	249	39,926
				1,204,142	49,558	1,253,700	(9,782)	1,243,918
Transactions with owners:								
Annual dividends				(635,482)		(635,482)	(281)	(635,763)
Interest on hybrid bonds				(8,420)		(8,420)		(8,420)
Share option			145			145		145
Changes in ownership in subsidiaries			(7,881)			(7,881)	(33,218)	(41,099)
			(7,736)	(643,902)		(651,638)	(33,499)	(685,137)
Balance, June 30, 2017		₩ 44,639	192,043	16,513,404	(176,625)	16,573,461	101,750	16,675,211
Balance, December 31, 2017		44,639	196,281	17,835,946	(234,727)	17,842,139	187,056	18,029,195
	3			1,900,049		1,900,049		1,900,049

Impact of adopting K-IFRS No. 1115							
Impact of adopting K-IFRS No. 1109	3		60,026	(68,804)	(8,778)		(8,778)
Balance, January 1, 2018	₩ 44,639	196,281	19,796,021	(303,531)	19,733,410	187,056	19,920,466
Total comprehensive income:							
Profit for the period			1,611,611		1,611,611	(3,938)	1,607,673
Other comprehensive income (loss)	18,24		(9,022)	19,655	10,633	267	10,900
			1,602,589	19,655	1,622,244	(3,671)	1,618,573
Transactions with owners:							
Annual dividends			(635,482)		(635,482)		(635,482)
Interest on hybrid bonds			(8,420)		(8,420)		(8,420)
Repayments of hybrid bonds	21	(400,000)			(400,000)		(400,000)
Proceeds from issuance of hybrid bonds	21	398,759			398,759		398,759
Share option		289			289	52	341
Changes in ownership in subsidiaries		(5,813)			(5,813)	20,325	14,512
		(6,765)	(643,902)		(650,667)	20,377	(630,290)
Balance, June 30, 2018	₩ 44,639	189,516	20,754,708	(283,876)	20,704,987	203,762	20,908,749

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2018 and 2017

(In millions of won)

	Note	June 30, 2018	June 30, 2017
Cash flows from operating activities:			
Cash generated from operating activities:			
Profit for the period		₩ 1,607,673	1,203,992
Adjustments for income and expenses	34	760,145	1,233,560
Changes in assets and liabilities related to operating activities	34	(17,014)	(244,788)
Sub-total		2,350,804	2,192,764
Interest received		29,900	34,612
Dividends received		161,836	100,642
Interest paid		(129,003)	(118,581)
Income tax paid		(206,160)	(396,734)
Net cash provided by operating activities		2,207,377	1,812,703
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		219,230	
Decrease in short-term investment securities, net		5,208	60,025
Collection of short-term loans		106,727	100,456
Decrease in long-term financial instruments		3	1
Proceeds from disposal of long-term investment securities		6,162	125,413
Proceeds from disposal of investments in associates and joint ventures		2,491	3,941
Proceeds from disposal of property and equipment		8,615	14,484
Proceeds from disposal of intangible assets		7,958	4,113
Collection of long-term loans		567	1,551
Decrease in deposits		5,416	6,370
Proceeds from disposal of other non-current assets		486	315
Acquisitions of subsidiaries, net of cash acquired		11,107	
		373,970	316,669
Cash outflows for investing activities:			
Increase in short-term financial instruments, net			(219,275)
Increase in short-term loans		(112,905)	(109,242)
Increase in long-term loans		(3,626)	(2,894)
Increase in long-term financial instruments		(16)	(2,030)
Acquisition of long-term investment securities		(8,815)	(9,225)
Acquisition of investments in associates and joint ventures		(31,318)	(7)

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Acquisition of property and equipment	(1,084,202)	(1,103,160)
Acquisition of intangible assets	(46,570)	(55,761)
Increase in deposits	(3,805)	(9,459)
Acquisition of business, net of cash acquired	(4,452)	
Acquisition of subsidiaries	(44,080)	
Disposal of subsidiaries	(1,836)	
	(1,341,625)	(1,511,053)
Net cash used in investing activities	₩ (967,655)	(1,194,384)

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2018 and 2017

(In millions of won)

	June 30, 2018	June 30, 2017
Cash flows from financing activities:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings, net	₩	27,386
Proceeds from issuance of debentures	1,176,857	517,804
Proceeds from long-term borrowings, net		70,000
Proceeds from issuance of hybrid bonds	398,759	
	1,575,616	615,190
Cash outflows for financing activities:		
Decrease in short-term borrowings, net	(85,610)	
Repayments of long-term account payables-other	(304,112)	(304,160)
Repayments of debentures	(996,550)	(469,119)
Repayments of long-term borrowings	(21,208)	(16,507)
Cash outflows from settlement of derivatives	(27,213)	(22,883)
Payments of cash dividends	(635,482)	(635,482)
Payments of interest on hybrid bonds	(8,420)	(8,420)
Repayments of hybrid bonds	(400,000)	
Transactions with the non-controlling shareholders	(1,198)	(41,368)
	(2,479,793)	(1,497,939)
Net cash used in financing activities	(904,177)	(882,749)
Net increase (decrease) in cash and cash equivalents	335,545	(264,430)
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	2,910	(3,183)
Cash and cash equivalents at end of the period	₩ 1,796,190	1,237,629

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 June 30, 2018, the Parent Company's total issued shares are held by the following shareholders:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, institutional investors and other 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 individually as Group entities). SK Holdings Co., Ltd. is the ultimate controlling entity of the Parent Company.

(2) List of subsidiaries

The list of subsidiaries as of June 30, 2018 and December 31, 2017 is as follows:

Subsidiary	Location	Primary business	Ownership (%)(*1)		
			June 30, 2018	Dec. 31, 2017	
Subsidiaries owned by the Parent	SK Telink Co., Ltd.	Korea	Telecommunication and MVNO 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	Call center management service	100.0	100.0
	SERVICE TOP Co., Ltd.	Korea	Call 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	
	id Quantique SA(*3)	Switzerland	Quantum information and communications service	58.1	

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of June 30, 2018 and December 31, 2017 is as follows, Continued:

	Subsidiary	Location	Primary business	Ownership (%)(*1)	
				June. 30, 2018	Dec. 31, 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.(*3)	Thailand	Electronic commerce		100.0
	Hello Nature Ltd.(*3)	Korea	Retail of agro-fisheries and livestock	49.9	100.0
Subsidiaries owned by IRIVER LIMITED	iriver Enterprise Ltd.	Hong Kong	Management of Chinese subsidiaries	100.0	100.0
	iriver Inc.	USA	Marketing and sales in North America	100.0	100.0
	iriver China Co., Ltd.	China	Sales of and manufacturing MP3 and 4	100.0	100.0

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	Dongguan iriver Electronics Co., Ltd.	China	Sales of and manufacturing e-book	100.0	100.0
	groovers Japan Co., Ltd.	Japan	Digital music contents sourcing and distribution service	100.0	100.0
	S.M. LIFE DESIGN COMPANY JAPAN INC.	Japan	Sale 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	Sale of contents and MQS album	100.0	44.2
Subsidiary owned by SK Telink Co., Ltd.	NSOK Co., Ltd.	Korea	Security and maintenance services	100.0	100.0
Subsidiary owned by SK techx Co., Ltd.	K-net Culture and Contents Venture Fund	Korea	Capital investment in startups	59.0	59.0
Subsidiaries owned by SK Broadband Co., Ltd.	Home & Service Co., Ltd.	Korea	Operation of information and communications facility	100.0	100.0
	SK stoa Co., Ltd.	Korea	Other telecommunication retail 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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of June 30, 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 shareholder or organized group of shareholders, and the other shareholdings are widely dispersed.
- (*3) Details of changes in consolidation scope for the six-month period ended June 30, 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 six-month period ended June 30, 2018 is as follows:

(In millions of won)

Subsidiary	As of June 30, 2018			For the six-month period ended June 30, 2018	
	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
SK Telink Co., Ltd.	₩ 495,783	115,277	380,506	183,551	19,508
SK m&service Co., Ltd.	96,501	47,148	49,353	97,244	(246)

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SK Communications Co., Ltd.	87,107	28,745	58,362	21,623	(7,625)
SK Broadband Co., Ltd.	4,015,789	2,560,730	1,455,059	1,497,852	29,594
K-net Culture and Contents Venture Fund	250,823	35,980	214,843		(4)
PS&Marketing Corporation	432,397	218,160	214,237	791,376	(3,684)
SERVICEACE Co., Ltd.	74,072	41,542	32,530	98,761	2,427
SERVICE TOP Co., Ltd.	63,653	36,332	27,321	103,206	5,018
Network O&S Co., Ltd.	73,044	33,616	39,428	115,920	(2,016)
SK Planet Co., Ltd.	1,330,570	804,301	526,269	413,328	(85,941)
IRIVER LIMITED(*)	142,544	27,505	115,039	59,431	1,082
SKP America LLC.	437,176		437,176		(37)
SK techx Co., Ltd.	237,197	25,423	211,774	93,103	13,134
One Store Co., Ltd.	106,226	49,668	56,558	52,374	(8,488)
Home & Service Co., Ltd.	95,474	53,033	42,441	154,600	(2,908)
shopkick Management Company, Inc.	364,581		364,581		(104)
shopkick, Inc.	34,826	29,960	4,866	21,564	(10,540)

(*) 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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:

(In millions of won)

Subsidiary	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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

1. Reporting Entity, Continued

(4) Changes in subsidiaries

1) The list of subsidiaries that were newly included in consolidation during the six-month period ended June 30, 2018 is as follows:

Subsidiary	Reason
FSK L&S Co., Ltd.	Acquired by the Parent Company
FSK L&S(Shanghai) Co., Ltd.	Acquired by the Parent Company
id Quantique SA	Acquired by the Parent Company
SK Telecom Japan Inc.	Established by the Parent Company
groovers Inc.	Acquired additional ownership interests by IRIVER LIMITED

2) The list of subsidiaries that were excluded in consolidation during the six-month period ended June 30, 2018 is as follows:

Subsidiary	Reason
11street (Thailand) Co., Ltd.	Disposed by SK Planet Co., Ltd.
Hello Nature Ltd.	Loss of control due to third parties investments

(5) The financial information of the subsidiaries with significant non-controlling interests as of and for the six-month period ended June 30, 2018, and as of and for the year ended December 31, 2017 are as follows. There were no dividends paid during the six-month period ended June 30, 2018 and the year ended December 31, 2017 by subsidiaries of which non-controlling interests are significant.

(In millions of won)

	K-net Culture and Contents Venture Fund	IRIVER LIMITED	One Store Co., Ltd.
	41.00	54.10	34.46

Ownership of non-controlling interests
(%)

	As of June 30, 2018		
Current assets	₩ 700	66,803	80,824
Non-current assets	250,123	75,741	25,402
Current liabilities	(35,980)	(19,222)	(47,822)
Non-current liabilities		(8,283)	(1,846)
Net assets	214,843	115,039	56,558
Carrying amount of non-controlling interests	88,086	64,013	19,490
	For the six-month period ended June 30, 2018		
Revenue	₩	59,431	52,374
Profit (Loss) for the period	(4)	1,082	(8,488)
Total comprehensive income (loss)		1,295	(8,511)
Profit (Loss) attributable to non-controlling interests	(1)	586	(2,925)
Net cash provided by (used in) operating activities	₩ (1)	623	(550)
Net cash provided by (used in) investing activities	600	29	(3,891)
Net cash provided by (used in) financing activities		(1,107)	4
Net increase (decrease) in cash and cash equivalents	599	(455)	(4,437)

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

1. Reporting Entity, Continued

- (5) The financial information of significant non-controlling interests of the Group as of and for the six-month period ended June 30, 2018, and as of and for the year ended December 31, 2017 are as follows. There were no dividends paid during the six-month period ended June 30, 2018 and the year ended December 31, 2017 by subsidiaries of which non-controlling interests are significant, Continued.

(In millions of won)

	K-net Culture and Contents Venture Fund	IRIVER LIMITED	One Store Co., Ltd.
Ownership of non-controlling interests (%)	41.00	54.10	34.46
As of December 31, 2017			
Current assets	₩ 625	74,873	76,810
Non-current assets	250,122	56,005	gk28,081
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
For the year ended December 31, 2017			
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 Nos. 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 31.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 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 a 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.

The Group also determined that the installation services provided with the fixed-line telecommunication services are not distinguishable performance obligations from the related fixed-line telecommunication services such as high speed broadband Internet or IPTV services. Therefore, the Group included the installation fee in the fixed-line telecommunication service revenue. The installation fee will be recognized as revenue over the contract term in which the Group has to provide fixed-line telecommunication services. The Group recognized ₩ 23,063 million as contract liability on the consolidated statement of financial position as of January 1, 2018 due to such change in the accounting policies.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 each performance obligations

In accordance with K-IFRS No. 1115, the Group allocates the considerations from contracts to each performance obligation in a contract in proportion to their stand-alone selling prices when the Group provides a 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 ₩142,596 million of considerations allocated to handset sale revenue as contract assets 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 parties 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 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

Under 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 statement of financial position as of June 30, 2018, prepaid expenses and long-term prepaid expenses would be decreased by ₩1,658,170 million and

₩708,413 million, respectively, and contract assets and long-term contract assets each would be decreased by ₩92,183 million and ₩35,232 million, respectively, while accounts receivable - trade would be increased by ₩4,072 million. As a result, total assets would be decreased by ₩2,489,926 million. In addition, contract liabilities, long-term contract liabilities and deferred tax liabilities would be decreased by ₩113,841 million, ₩20,104 million and ₩589,189 million, respectively, while other liabilities such as receipts in advance and unearned revenue would be increased by ₩108,421 million. As a result, total liabilities would be decreased by ₩614,713 million. In relation to these changes in assets and liabilities, retained earnings would be decreased by ₩1,875,213 million.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 statement of income for the six-month period ended June 30, 2018, revenues and advertising would be increased by ₩56,730 million and ₩26,306 million, respectively, while commission expenses would be decreased by ₩9,702 million. Operating profit and profit before income tax would be increased by ₩39,791 million with increase in operating expenses by ₩16,939 million. As a result, profit for the period would be increased by ₩24,807 million with increase in income tax expense of ₩14,984 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 six-month period ended June 30, 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 with respects to 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.

(In millions of won)

	Reserves	Retained earnings
	₩ (5,336)	947

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)	(84,881)	90,322
Recognition of loss allowances on accounts receivable trade and others		(13,049)
Related income tax	21,413	(18,194)
	₩ (68,804)	60,026

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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, and 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. These include 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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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.

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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:

(In millions of won)

	Original classification under K-IFRS No. 1039	New classification under K-IFRS No. 1109	Original carrying amount under K-IFRS No. 1039	New carrying amount under K-IFRS No. 1109	Difference
Short-term financial assets:					
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)
Long-term financial assets:					
Long-term financial instruments	Amortized cost	Amortized cost	1,222	1,222	
Long-term investment securities(*1)	Available-for-sale	FVTPL	173,394	169,005	(4,389)
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(*1)	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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For the six-month periods ended June 30, 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 the related 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 reclassification 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 ₩7,443 million was recognized in profit before income tax during the six-month period ended June 30, 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 subsequent recycling of amounts from OCI to profit and loss.

- (*3) As of January 1, 2018, accounts receivable other of ₩1,074,063 million were reclassified to financial assets at FVTPL. Upon the initial application of K-IFRS No. 1109, the Group reclassified the debt instruments to financial assets 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.

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For the six-month periods ended June 30, 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

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected 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 recognizes the impairment loss on debt instruments at an amount equal to the lifetime expected credit losses.

Loss allowance on financial assets measured at amortized cost is deducted from the carrying amount of the respective assets, while loss allowance on debt instruments at FVOCI is recognized in OCI, instead of reducing the carrying amount of the assets.

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.

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3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, Continued

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

(In millions of won)

	December 31,		Adjustments	January 1,
	2017			2018
	As reported	K-IFRS 1115	K-IFRS 1109	Restated
Current Assets	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
Non-Current Assets	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
Total Assets	33,428,669	2,522,978	(11,997)	35,939,650
Current Liabilities	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
Non-Current Liabilities	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)		

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Other non-current liabilities	44,094	(919)		43,175
Deferred tax liabilities	978,693	599,315	(3,219)	1,574,789
Others	7,260,512			7,260,512
Total Liabilities	15,399,474	622,929	(3,219)	16,019,184
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
Total Shareholders Equity	18,029,195	1,900,049	(8,778)	19,920,466
Total Liabilities and Shareholders Equity	33,428,669	2,522,978	(11,997)	35,939,650

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For the six-month periods ended June 30, 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, 2018 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 six-month period ended June 30, 2018.

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 June 30, 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 six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2018						
	Cellular	Fixed-line telecommu- nication	E-commerce Services	Others	Sub-total	Adjustments	Total
Total revenue	₩7,039,636	1,880,222	413,328	421,254	9,754,440	(1,418,579)	8,335,861

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Inter-segment revenue	790,793	472,430	17,469	137,887	1,418,579	(1,418,579)
External revenue	6,248,843	1,407,792	395,859	283,367	8,335,861	8,335,861
Depreciation and amortization	1,190,388	313,280	20,803	29,230	1,553,701	1,553,701
Operating profit (loss)	713,895	72,351	(80,993)	(32,883)	672,370	672,370
Finance income and costs, net						(93,691)
Gain relating to investments in associates and joint ventures, net						1,542,240
Other non-operating income and expense, net						(50,887)
Profit before income tax						2,070,032

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For the six-month periods ended June 30, 2018 and 2017

4. Operating Segments, Continued

(1) Segment information for the six-month periods ended June 30, 2018 and 2017 are as follows, Continued

*(In millions
of won)*

	For the six-month period ended June 30, 2017						
	Cellular	Fixed-line telecommu- nication	Services	Others	Sub-total	Adjustments	Total
Total revenue	₩ 7,303,708	1,649,960	528,624	367,599	9,849,891	(1,269,933)	8,579,958
Inter-segment revenue	791,083	319,947	19,340	139,563	1,269,933	(1,269,933)	
External revenue	6,512,625	1,330,013	509,284	228,036	8,579,958		8,579,958
Depreciation and amortization	1,181,795	289,282	27,682	29,124	1,527,883		1,527,883
Operating profit (loss)	915,836	79,218	(121,577)	(39,709)	833,768		833,768
Finance income and costs, net							(151,482)
Gain relating to investments in associates and joint ventures, net							878,250
Other non-operating income and expense, net							(87,890)
Profit before income tax							1,472,646

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 six-month periods ended June 30, 2018 and 2017.

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For the six-month periods ended June 30, 2018 and 2017

4. Operating Segments, Continued

- (2) Disaggregation of operating revenues considering the economic factors that affect the amounts, timing and uncertainty of the Group's revenue and future cash flows is as follows:

(In millions of won)

		June 30,	June 30, 2017
		2018	
Products transferred at a point in time:			
Cellular revenue	Goods (*1)	₩ 595,040	535,523
Fixed-line telecommunication revenue	Goods	41,427	42,381
Other revenue	Goods	46,360	35,956
	Goods	15,522	12,834
		698,349	626,694
Services transferred over time:			
Cellular revenue	Wireless service(*2)	4,943,327	5,291,856
	Cellular interconnection	289,355	304,561
	Miscellaneous(*3)	421,121	380,685
Fixed-line telecommunication revenue	Wireless service	147,429	156,515
	Cellular interconnection	54,299	59,463
	Internet Protocol Television(*4)	543,232	480,903
	International calls	40,820	45,862
	Internet service and miscellaneous(*5)	580,585	544,889
E-commerce services revenue	E-commerce service	395,859	509,284
Other revenue	Miscellaneous(*6)	221,485	179,246
		7,637,512	7,953,264
		₩ 8,335,861	8,579,958

(*1) Merchandise cellular services revenue includes revenue from considerations received from sales of handsets.

(*2)

Wireless service includes revenue from wireless voice and data transmission services principally derived from usage charges paid by the wireless subscribers.

- (*3) Miscellaneous cellular service revenue includes revenue from IoT solutions as well as other miscellaneous cellular services.
- (*4) IPTV service revenue includes revenue from IPTV services principally derived from usage charges paid by the IPTV subscribers.
- (*5) Internet service includes revenue from the high speed broadband internet service principally derived from usage charges paid by the subscribers as well as other miscellaneous services.
- (*6) Miscellaneous other revenue includes revenue from considerations received for the development and maintenance of system software, and digital contents platform services.

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5. Trade and Other Receivables

(1) Details of trade and other receivables as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018		
	Gross amount	Loss allowance	Carrying amount
Current assets:			
Accounts receivable - trade	₩ 2,247,128	(259,226)	1,987,902
Short-term loans	75,564	(660)	74,904
Accounts receivable - other(*)	1,167,893	(70,787)	1,097,106
Accrued income	5,584		5,584
Others	3,674		3,674
	3,499,843	(330,673)	3,169,170
Non-current assets:			
Long-term loans	95,039	(47,193)	47,846
Long-term accounts receivable - other(*)	248,076		248,076
Guarantee deposits	300,362		300,362
Long-term accounts receivable - trade	12,102	(117)	11,985
	655,579	(47,310)	608,269
	₩ 4,155,422	(377,983)	3,777,439

(In millions of won)

	December 31, 2017		
	Gross amount	Loss allowance	Carrying amount
Current assets:			
Accounts receivable - trade	₩ 2,365,270	(239,263)	2,126,007
Short-term loans	63,380	(550)	62,830
Accounts receivable other	1,336,247	(75,412)	1,260,835
Accrued income	3,979		3,979
Others	3,927		3,927
	3,772,803	(315,225)	3,457,578

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Non-current assets:

Long-term loans	97,635	(46,761)	50,874
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 June 30, 2018 include ₩ 899,794 million of financial instruments classified as FVTPL.

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For the six-month periods ended June 30, 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 six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	January 1, 2018	Impact of adopting K-IFRS No. 1109	Impairment	Write-offs(*)	Collection of receivables previously written-off	June 30, 2018
Accounts receivable - trade	₩ 239,448	12,950	20,211	(20,098)	6,832	259,343
Accounts receivable - other	122,723	99	4,546	(12,012)	3,284	118,640
	₩ 362,171	13,049	24,757	(32,110)	10,116	377,983

(In millions of won)

	January 1, 2017	Impairment	Write-offs(*)	Collection of receivables previously written-off	June 30, 2017
Accounts receivable - trade	₩ 241,828	18,430	(25,810)	8,076	242,524
Accounts receivable - other	127,504	2,191	(12,072)	6,562	124,185
	₩ 369,332	20,621	(37,882)	14,638	366,709

- (*) The Group writes off the trade and other receivables when contractual payments are more than 5 years past due, or for reasons such as 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. The expected credit losses include the forward-looking information. To make that assessment, the Group uses its historical credit loss

experience and classifies 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.

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6. Prepaid expenses

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

(1) Details of prepaid expenses as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Current assets:		
Incremental costs of obtaining contracts	₩ 1,658,170	
Others	204,755	197,046
	1,862,925	197,046
Non-current assets:		
Incremental costs of obtaining contracts	708,413	
Others	94,907	90,834
	₩ 803,320	90,834

(2) Incremental costs of obtaining contracts

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

(In millions of won)

	2018	
	Three-month period ended June 30	Six-month period ended June 30
Depreciation recognized as commission	₩ 503,050	1,019,727

The Group pays commissions to its direct retail stores and authorized dealers for wireless telecommunications services for each service contract and installation contract secured. 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 periods that the Group expects to maintain its customers.

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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*, during the year beginning on January 1, 2018.

Details of contract assets and liabilities as of June 30, 2018 and January 1, 2018 are as follows:

(In millions of won)

	June 30, 2018	January 1, 2018
Contract assets:		
allocation of performance obligations	₩ 127,415	143,053
Contract liabilities:		
wireless service contracts	17,495	16,624
customer loyalty programs	13,681	10,739
fixed-line service contracts	49,782	47,125
commerce service	1,479	6,779
others	51,508	52,117
	₩ 133,945	133,384

8. Inventories

Details of inventories as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018			December 31, 2017		
	Acquisition cost	Write- down	Carrying amount	Acquisition cost	Write- down	Carrying amount
Merchandise	₩ 233,949	(6,022)	227,927	251,463	(7,488)	243,975
Finished goods	1,696	(190)	1,506	1,889	(557)	1,332
Work in process	3,752	(340)	3,412	1,906	(956)	950
Raw materials	9,833	(2,034)	7,799	10,426	(3,249)	7,177
Supplies	18,654		18,654	18,969		18,969
	₩ 267,884	(8,586)	259,298	284,653	(12,250)	272,403

9. Investment Securities

(1) Details of short-term investment securities as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Category	June 30, 2018	December 31, 2017
Beneficiary certificates	Available-for-sale financial assets	₩	144,386
	FVTPL	119,547	
		₩ 119,547	144,386

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For the six-month periods ended June 30, 2018 and 2017

9. Investment Securities, Continued

(2) Details of long-term investment securities as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Category	June 30, 2018	December 31, 2017
Equity instruments	Available-for-sale financial assets	₩ 667,368	867,079
	FVOCI(*)	667,368	867,079
Debt instruments	Available-for-sale financial assets		19,928
	FVOCI	1,139	
	FVTPL	396,400	
		397,539	19,928
		₩ 1,064,907	887,007

(*) The Group designated ₩667,368 million of equity instruments that are not held for trading as financial assets at FVOCI.

10. Non-current assets held for sale

(1) Investments in associates

Details of the non-current assets held for sale as of June 30, 2018 are as follows:

(In millions of won)

	Amount
12CM GLOBAL PTE. LTD.(*)	₩ 7,217
Xian Tianlong Science and Technology Co., Ltd.(*)	25,554

₩ 32,771

(*) During the six-month period ended June 30, 2018, the Group executed the sales agreement for the sale of the entire shares of 12CM GLOBAL PTE. LTD. and Xian Tianlong Science and Technology Co., Ltd. and reclassified them to non-current assets held for sale. ₩835 million of accumulated foreign currency translation differences for foreign operations of these associates are included in reserves as of June 30, 2018.

(2) Property and equipment

During the six-month period ended June 30, 2018, the Group executed the disposal agreement for the sale of idle properties such as land and buildings to one of the related parties, SK D&D Co., Ltd., and reclassified ₩9,940 million of land and buildings to non-current assets held for sale.

Assets held for sale were measured at the lower of the fair value and the carrying amount.

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11. Business Combinations

(1) Business combination

1) Acquisition of id Quantique SA by the Parent Company

During the six-month period ended June 30, 2018, the Parent Company acquired additional 41,157,506 shares in exchange of ₩55,248 million in cash, which resulted in the Parent Company obtaining control over id Quantique with 44,157,506 shares and 58.1% ownership of the outstanding shares, in aggregate. Taking control of id Quantique will enable the Parent Company to increase its corporate value as the leading mobile telecommunication operator in Korea and to generate profit in overseas markets by utilizing quantum cryptographic security. id Quantique has recognized ₩1,294 million in revenue and ₩1,110 in net losses since the transfer of control. Meanwhile, the existing shares were reclassified into the investment in a subsidiary from the FVOCI equity instrument with the valuation gain on FVOCI equity instrument of ₩1,636 million reclassified into the retained earnings.

2) Summary of the acquiree

Corporate name	id Quantique SA
Location	3, CHEMIN DE LA MARBRERIE, 1227 CAROUGE, SWITZERLAND
CEO	Gregoire Ribordy
Industry	Quantum information and communications industry

3) Considerations paid and assets and liabilities recognized at the acquisition date are as follows:

(In millions of won)

	June 30, 2018
I. Considerations paid:	
Cash and cash equivalents	₩ 55,248
Existing shares (financial assets at FVOCI) at fair value	3,965
	59,213
II. Assets and liabilities acquired:	
Cash and cash equivalent	1,538
Trade and other receivables	13,609
Inventories	2,003

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Property and equipment	415
Intangible assets	7,566
Other assets	447
Trade and other payables	(1,569)
Deferred tax liabilities	(1,648)
Other liabilities	(1,232)
	21,129
III. Non-controlling interests:	9,291
IV. Goodwill (I - II + III)	₩ 47,375

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For the six-month periods ended June 30, 2018 and 2017

11. Business Combinations, Continued**(2) Business combination under common control**

During the six-month period ended June 30, 2018, SK Telink Co., Ltd., the subsidiary owned by the Parent Company, acquired a device business in exchange of ₩4,450 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 and carrying amount of net assets amounting to ₩1,018 million was recognized as capital surplus and others.

12. Investments in Associates and Joint Ventures

(1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Country	June 30, 2018		December 31, 2017	
		Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Investments in associates:					
SK China Company Ltd.	China	27.3	₩ 542,371	27.3	₩ 526,099
Korea IT Fund(*1)	Korea	63.3	274,443	63.3	257,003
KEB HanaCard Co., Ltd.(*2)	Korea	15.0	282,174	15.0	280,988
NanoEnTek, Inc.	Korea	27.1	37,568	28.5	38,718
SK Technology Innovation Company	Cayman Islands	49.0	44,542	49.0	42,511
HappyNarae Co., Ltd.	Korea	45.0	22,710	45.0	21,873
SK hynix Inc.	Korea	20.1	9,563,470	20.1	8,130,000
SK MENA Investment B.V.	Netherlands	32.1	14,483	32.1	13,853
S.M.Culture & Contents Co.,Ltd.	Korea	23.4	64,344	23.4	64,966
Xian Tianlong Science and Technology Co., Ltd. (*3)	China	49.0		49.0	25,891
Hello Nature Ltd. (*4,5)	Korea	49.9	29,880		
12CM Japan, Inc.	Japan	28.2	7,697		
MAKEUS Corp. (*2)	Korea	8.9	9,773		
Daehan Kanggun BcN Co., Ltd. and others			85,177		96,479

10,978,632

9,498,381

Investments in joint ventures:

Dogus Planet, Inc.(*5)	Turkey	50.0	13,802	50.0	13,991
Finnq Co., Ltd.(*6)	Korea	49.0	12,328	49.0	16,474
12CM GLOBAL PTE. LTD.(*7)	Singapore	47.7		62.7	9,592
Celcom Planet and others(*5,8)	Malaysia	49.5		49.5	

26,130

40,057

₩ 11,004,762

₩ 9,538,438

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For the six-month periods ended June 30, 2018 and 2017

12. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2018 and December 31, 2017 are as follows, Continued

- (*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 Group has less than 20% of equity interests.
- (*3) During the six-month period ended June 30, 2018, the Group executed the agreement for the sale of the entire shares, which was classified as non-current assets held for sale.
- (*4) During the six-month period ended June 30, 2018, Hello Nature Ltd. increased capital by allocation to third parties, which decreased the Parent Company's ownership to 49.9% and was reclassified into the associate from the subsidiary due to the Parent Company's loss of the control. In addition, the Group has obligation for additional investments up to ₩20,000 million according to the agreement with the shareholders.
- (*5) The ownership interest is owned by SK Planet Co., Ltd.
- (*6) These investments were classified as investment in joint ventures as the Company has a joint control pursuant to the agreement with the other shareholders.
- (*7) During the six-month period ended June 30, 2018, 12CM GLOBAL PTE. LTD. is reclassified into non-current assets held for sale as the Group sold 241,055 shares and agreed to sell the remaining shares.
- (*8) During the six-month period ended June 30, 2018, the Group invested ₩12,932 million by purchasing newly issued stocks, and the entire amount of this investment was recognized as equity losses.

(2) The market price of investments in listed associates as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

	June 30, 2018			December 31, 2017		
	Market price per share (in won)	Number of shares	Market price	Market price per share (in won)	Number of shares	Market price
NanoEnTek, Inc.	₩ 5,670	6,960,445	39,466	5,950	6,960,445	41,415
SK hynix Inc.	85,700	146,100,000	12,520,770	76,500	146,100,000	11,176,650
S.M.Culture & Contents Co.,Ltd.	2,665	22,033,898	58,720	2,700	22,033,898	59,492

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SK TELECOM CO., LTD. and Subsidiaries

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For the six-month periods ended June 30, 2018 and 2017

12. Investments in Associates and Joint Ventures, Continued

- (3) The condensed financial information of significant associates as of and for the six-month period ended June 30, 2018 and as of and for the year ended December 31, 2017 are as follows:

(In millions of won)

	SK hynix Inc.	KEB HanaCard Co., Ltd.	Korea IT Fund	SK China Company Ltd.
As of June 30, 2018				
Current assets	₩ 15,695,714	7,419,583	136,201	757,460
Non-current assets	37,561,366	222,090	297,130	1,067,410
Current liabilities	8,727,425	1,011,834		64,912
Non-current liabilities	3,751,979	5,105,768		83,754
For the six-month period ended June 30, 2018				
Revenue	19,090,197	796,637	35,365	45,410
Profit for the period	7,449,871	51,565	26,633	7,163
Other comprehensive income (loss)	240,556	(431)	(9,597)	(32,008)
Total comprehensive income (loss)	7,690,427	51,134	17,036	(24,845)

(In millions of won)

	SK hynix Inc.	KEB HanaCard Co., Ltd.	Korea IT Fund	SK China Company Ltd.
As of December 31, 2017				
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
For the year ended December 31, 2017				
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

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For the six-month periods ended June 30, 2018 and 2017

12. Investments in Associates and Joint Ventures, Continued

- (4) The condensed financial information of joint ventures as of and for the six-month period ended June 30, 2018 and as of and for the year ended December 31, 2017 are as follows:

(In millions of won)

	Dogus Planet, Inc.	Finnq Co. Ltd.
	As of June 30, 2018	
Current assets	₩ 40,158	19,597
Cash and cash equivalents	38,373	1,896
Non-current assets	21,024	17,825
Current liabilities	32,159	4,686
Accounts payable, other payables and provision	1,949	885
Non-current liabilities	1,419	8,460
	For the six-month period ended June 30, 2018	
Revenue	48,471	46
Depreciation and amortization	(2,814)	(1,633)
Interest income	421	3
Interest expense		(156)
Profit (Loss) for the period	2,251	(8,550)
Total comprehensive income (loss)	2,251	(8,550)

(In millions of won)

	Dogus Planet, Inc.	Finnq Co., Ltd.
	As of December 31, 2017	
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
	For the year ended December 31, 2017	
Revenue	82,791	
Depreciation and amortization	(6,152)	(1,077)

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Interest income	781	532
Interest expense	(4)	(276)
Loss for the year	(4,535)	(15,699)
Total comprehensive loss	(4,535)	(15,699)

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12. Investments in Associates and Joint Ventures, Continued

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

			June 30, 2018			
			Net assets			
	Net assets	Ownership	to the	Cost-book	Carrying	
		interests	ownership	value	amount	
		(%)	interests	differentials		
Associates:						
SK hynix Inc.(*1,2)	₩ 40,770,317	20.1	8,437,002	1,126,468		9,563,470
KEB HanaCard Co., Ltd.	1,524,071	15.0	228,610	53,564		282,174
Korea IT Fund	433,331	63.3	274,443			274,443
SK China Company Ltd.(*1)	1,673,765	27.3	456,456	85,915		542,371

(In millions of won)

			December 31, 2017			
			Net assets			
	Net assets	Ownership	to the	Cost-book	Carrying	
		interests	ownership	value	amount	
		(%)	interests	differentials		
Associates:						
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.

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12. Investments in Associates and Joint Ventures, Continued

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2018					Ending balance
	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other increase (decrease)	
Investments in associates:						
SK China Company Ltd.	₩ 526,099		1,627	14,645		542,371
Korea IT Fund (*)	257,003		26,396	(7,496)	(1,460)	274,443
KEB HanaCard Co., Ltd.	280,988		7,735	(6,549)		282,174
NanoEnTek, Inc.	38,718		(541)	(609)		37,568
SK Technology Innovation Company	42,511		18	2,013		44,542
HappyNarae Co., Ltd.	21,873		837			22,710
SK hynix Inc.(*)	8,130,000		1,534,928	44,642	(146,100)	9,563,470
SK MENA Investment B.V.	13,853		(7)	637		14,483
S.M.Culture & Contents Co., Ltd.	64,966		(572)	(50)		64,344
Xian Tianlong Science and Technology Co., Ltd.	25,891		(337)		(25,554)	
Hello Nature Ltd.					29,880	29,880
12CM Japan, Inc.		7,697				7,697
MAKEUS Corp.		9,773				9,773
Daehan Kanggun BcN Co., Ltd. and others (*)	96,479	148	(3,591)	643	(8,502)	85,177
Sub-total	9,498,381	17,618	1,566,493	47,876	(151,736)	10,978,632
Investments in joint ventures:						
Dogus Planet, Inc.	13,991	(76)	1,126	(1,239)		13,802
Finnq Co. Ltd.	16,474		(4,100)	(46)		12,328
12CM GLOBAL PTE. LTD.	9,592	(2,414)	42	(3)	(7,217)	
Celcom Planet.		12,932	(12,932)			
Sub-total	40,057	10,442	(15,864)	(1,288)	(7,217)	26,130

₩9,538,438	28,060	1,550,629	46,588	(158,953)	11,004,762
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(*) Dividends received from the associates are deducted from the carrying amount during the six-month period ended June 30, 2018.

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12. Investments in Associates and Joint Ventures, Continued

- (6) Details of the changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2018 and 2017 are as follows, Continued:

(In millions of won)

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

Total	₩7,404,323	(2,840)	878,250	(60,621)	(92,802)	8,126,310
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(*) Dividends received from the associates are deducted from the carrying amount during the six-month period ended June 30, 2017.

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12. Investments in Associates and Joint Ventures, Continued

- (7) The Group discontinued the application of equity method to the following investees due to their carrying amounts being reduced to zero. The details of cumulative unrecognized equity method losses as of June 30, 2018 are as follows:

(In millions of won)

	Unrecognized loss		Unrecognized change in equity	
	For the six-month period ended June 30, 2018	Cumulative loss	For the six-month period ended June 30, 2018	Cumulative loss
Wave City Development Co., Ltd.	₩ 4,335	6,435		
Daehan Kanggun BcN Co., Ltd. and others	5,229	10,545		365
	₩ 9,564	16,980		365

13. Property and Equipment

Changes in property and equipment for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2018							Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Held for Business sale	Disposal of subsidiaries	
Land	₩ 862,861	1,069	(29)	4,228		(7,122)		861,007
Buildings	882,650	523	(1,330)	24,661	(26,062)	(2,818)		877,624
Structures	378,575	279		2,328	(18,010)			363,172
Machinery	7,079,798	216,318	(17,594)	484,029	(1,109,219)		20	6,653,352
Other	531,057	264,409	(2,538)	(234,506)	(68,655)		994 (3,079)	487,682
Construction in progress	409,941	253,306	(3,313)	(367,919)				292,015

₩ 10,144,882	735,904	(24,804)	(87,179)	(1,221,946)	(9,940)	1,014	(3,079)	9,534,852
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*(In millions of won)***For the six-month period ended June 30, 2017**

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

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14. Intangible Assets

- (1) Details of the changes in intangible assets for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2018							Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Business combination	
Frequency usage rights	₩ 2,176,940				(201,944)			1,974,996
Land usage rights	15,750	1,822	(357)		(3,890)			13,325
Industrial rights	111,347	3,211	(24)	2,082	(3,470)		55	113,201
Development costs	4,103	1,878		(48)	(1,135)		5,994	10,792
Facility usage rights	36,451	844	(22)	90	(3,870)			33,493
Customer relations	4,035	213		127	(1,162)			3,213
Club memberships	73,614	3,699	(1,302)			(173)		75,838
Other	1,164,725	33,464	(5,474)	107,278	(193,078)	(904)	10,825	1,116,836
	₩ 3,586,965	45,131	(7,179)	109,529	(408,549)	(1,077)	16,874	3,341,694

(In millions of won)

	For the six-month period ended June 30, 2017						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	
Frequency usage rights	₩ 2,580,828				(201,944)		2,378,884
Land usage rights	20,834	1,369	(475)	200	(4,063)		17,865
Industrial rights	121,200	2,215		(2,433)	(3,688)		117,294
Development costs	4,871	1,420			(1,659)		4,632
Facility usage rights	41,788	651	(30)	118	(4,264)		38,263
Customer relations	6,652	295			(1,806)		5,141
Club memberships	74,039	4,114	(790)				77,363

Other	926,142	42,533	(2,960)	323,436	(168,336)	(233)	1,120,582
	₩ 3,776,354	52,597	(4,255)	321,321	(385,760)	(233)	3,760,024

(2) Details of frequency usage rights as of June 30, 2018 are as follows:

(In millions of won)

	Amount	Description	Commencement of amortization	Completion of amortization
800MHz license	₩ 121,632	Frequency usage rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	439,670	Frequency usage rights relating to LTE service	Sept. 2013	Dec. 2021
WiBro license	1,783	WiBro service	Mar. 2012	Mar. 2019
2.6GHz license	1,032,060	Frequency usage rights relating to LTE service	Sept. 2016	Dec. 2026
2.1GHz license	379,851	Frequency usage rights relating to W-CDMA and LTE service	Dec. 2016	Dec. 2021
	₩ 1,974,996			

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14. Intangible Assets, Continued

(2) Details of frequency usage rights as of June 30, 2018 are as follows, Continued

The Group participated in the frequency license allocation auction hosted by Ministry of Science and Information and Communication Technology (ICT) and was selected for the 3.5GHz and 28GHz license allocation during the six-month period ended June 30, 2018. The considerations payable for the bands of frequency are ₩1,218,500 million and ₩207,300 million, respectively. These bands of frequency are to be allocated in December 2018 as the Group pays the initial lump sum during November 2018, and then the annual payments in installment of the remaining balance will be made for the next ten and five years, respectively. The Group will recognize these frequency licenses at the initial lump sum as intangible assets and will amortize when the bands of frequency are in the condition necessary for them to be capable of operating in the manner intended by management.

15. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	Lender	Annual interest rate(%)	June 30, 2018	December 31, 2017
Short-term borrowings	Shinhan Bank	2.85	₩ 30,000	30,000
	KEB Hana Bank	3.90	5,000	
	KEB Hana Bank	3.85	3,020	
	KEB Hana Bank	3.85	7,230	
	KEB Hana Bank	3.88	640	
Commercial paper	KEB Hana Bank	1.67		50,000
Bank overdraft	KEB Hana Bank	3.17		30,000
	Shinhan Bank	3.38		20,000
			₩ 45,890	130,000

(2) Changes in long-term borrowings for the six-month period ended June 30, 2018 are as follows:

(In millions of won)

	Lender	Annual interest rate(%)	Maturity	Book value
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	(6,500)
	Korea Development Bank	1.99	Jul. 30, 2019	(1,666)
	Korea Development Bank	2.27	Dec. 20, 2021	(6,125)
	Export Kreditnamnden	1.70	Apr. 29, 2022	(6,200)
Other changes(*)				2,499
Current				87,465
Non-current				146,643
As of June 30, 2018				₩ 234,108

(*) Other changes include the effects on foreign currency translation of foreign currency-denominated long-term borrowings and changes in present value discount during the six-month period ended June 30, 2018.

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15. Borrowings and Debentures, Continued

(3) Changes in debentures for the six-month period ended June 30, 2018 are as follows:

(In millions of won, thousands of other currencies)

	Purpose	Annual interest rate(%)	Maturity	Face value	Book value
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 fund	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 fund	2.59	Feb. 1, 2021	70,000	69,680
		2.93	Feb. 1, 2023	80,000	79,636
Global unsecured corporate bonds	Operating fund	3.75	Apr. 16, 2023	535,000	529,566
				USD 500,000	USD 500,000
Debentures repaid:					
Unsecured corporate bonds	Other fund	5.00	Mar. 3, 2018	(200,000)	(200,000)
Unsecured corporate bonds(*1)	Operating fund	2.23	Jan. 14, 2018	(50,000)	(50,000)
Global unsecured corporate bonds	Operating fund	2.13	May. 1, 2018	(746,550)	(746,550)
				(USD 700,000)	(USD 700,000)
Other changes(*2)				73,421	76,699
Current				886,509	885,808
Non-current				6,482,578	6,457,385
As of June 30, 2018				₩ 7,369,087	7,343,193

(*1) Unsecured corporate bonds were issued by SK Broadband Co., Ltd., one of the subsidiaries.

(*2) Other changes include the effects from translation of foreign currency-denominated debentures and changes in present value discount on debentures during the six-month period ended June 30, 2018.

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16. Long-term Payables - other

(1) Long-term payables - other as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Payables related to acquisition of frequency usage rights	₩ 1,040,761	1,328,630
Other(*)	17,650	18,133
	₩ 1,058,411	1,346,763

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

(2) As of June 30, 2018 and December 31, 2017, details of long-term payables - other which related to the acquisition of frequency usage rights are as follows (See Note 14):

(In millions of won)

	June 30, 2018	December 31, 2017
Long-term payables - other	₩ 1,407,388	1,710,255
Present value discount on long-term payables - other	(67,514)	(79,874)
Current installments of long-term payables - other	(299,113)	(301,751)
Carrying amount at period end	₩ 1,040,761	1,328,630

(3) The Group repaid ₩302,867 million of the principal amount of long-term payables - other related to the acquisition of frequency usage rights during the six-month period ended June 30, 2018. The repayment schedule of the principal amount of long-term payables - other as of June 30, 2018 is as follows:

(In millions of won)

	Amount
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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17. Provisions

Changes in provisions for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2018						As of June 30, 2018		
	Beginning balance	No. 1115	Increase	Utilization	Reversal	Other	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 3,874			(1,059)	(2,702)		113	113	
Provision for restoration	73,267		2,326	(423)	(548)	92	74,714	42,293	32,421
Emission allowance	4,650		1,726	(1,334)	(3,306)		1,736	1,736	
Other provisions	2,935	(215)	178	(132)	(32)		2,734	2,734	
	₩ 84,726	(215)	4,230	(2,948)	(6,588)	92	79,297	46,876	32,421

(In millions of won)

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

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18. Defined Benefit Liabilities (Assets)

(1) Details of defined benefit liabilities (assets) as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Present value of defined benefit obligations	₩ 743,957	679,625
Fair value of plan assets	(668,258)	(663,617)
Defined benefit assets(*)	(18,821)	(45,952)
Defined benefit liabilities	94,520	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 six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Beginning balance	₩ 679,625	595,667
Current service cost	67,045	57,937
Interest cost	10,117	7,755
Remeasurement:		
- Adjustment based on experience	10,284	11,597
Benefit paid	(25,166)	(26,201)
Others	2,052	13,438
Ending balance	₩ 743,957	660,193

(3) Changes in plan assets for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2018	June 30, 2017
Beginning balance	₩ 663,617	555,175
Interest income	9,631	6,814
Remeasurement	(3,971)	(1,868)
Contribution	26,790	29,764
Benefit paid	(33,696)	(42,661)
Others	5,887	10,448
Ending balance	₩ 668,258	557,672

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18. Defined Benefit Liabilities (Assets), Continued

- (4) Total cost of benefit plan, which is recognized in profit and loss (included in labor in the statement of income) and capitalized into construction-in-progress, for the six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	For the six-month period ended	
	June 30, 2018	June 30, 2017
Current service cost	₩ 67,045	57,937
Net interest cost	486	941
	₩ 67,531	58,878

19. Derivatives

Changes in derivative contracts for the six-month period ended June 30, 2018 are as follows:

(In thousands of other currencies)

	Date	Hedged items Item	Risk type	Hedging instruments		
				Contract type	Counterparty	Contract term
Expired		Fixed rate foreign currency bond (par value USD 700,000)	Currency risk	Currency swap contract	Standard Chartered and 8 others	Nov. 1, 2012 ~ May 1, 2018
New	Apr. 16, 2018	Fixed rate foreign currency bond (par value USD 500,000)	Currency risk	Currency swap contract	The Export-Import Bank of Korea and 3 others	Apr. 16, 2018 ~ Apr. 16, 2023

20. 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

June 30, 2018 and December 31, 2017 are as follows:

(In millions of won, except for share data)

	June 30, 2018	December 31, 2017
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 capital surplus	2,915,887	2,915,887
Treasury shares	(2,260,626)	(2,260,626)
Hybrid bonds(Note 21)	398,759	398,518
Share option(Note 22)	703	414
Others (*)	(865,207)	(857,912)
	₩ 189,516	196,281

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

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20. Share Capital and Capital Surplus and Others, Continued

There were no changes in share capital for the six-month periods ended June 30, 2018 and 2017 and details of shares outstanding as of June 30, 2018 and 2017 are as follows:

<i>(In shares)</i>	June 30, 2018			June 30, 2017		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Issued shares	80,745,711	10,136,551	70,609,160	80,745,711	10,136,551	70,609,160

21. Hybrid Bonds

The Group repaid the hybrid bonds during the six month period ended June 30, 2018 and issued new hybrid bonds at par, and the details are as follows:

(In millions of won)

	Type	Issue date	Maturity date(*1)	Interest rate (%)(*2)	Amount
2-1 Private equity bond securities	Unsecured subordinated coupon bond	2018. 6. 7	2078. 6. 7	3.70	300,000
2-2 Private equity bond securities	Unsecured subordinated coupon bond	2018. 6. 7	2078. 6. 7	3.65	100,000
Issuing cost					(1,241)
					398,759

As there is no contractual obligation to deliver financial assets to the holders of hybrid bonds, the Group classified the hybrid bonds as equity. When in liquidation or bankruptcy, these hybrid bonds are senior only to common stocks.

(*1) The Group may extend the maturity without any notice or announcement.

(*2)

The interest rate of the hybrid bonds is determined by applying additional interest on a five-year Korea national bond interest rate. In addition, according to Step-up clause, 0.25%p adds on the rate of return after 10 years from the issuance and another 0.75%p after 25 years from the issue date

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22. Share option

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

	Series				One Store Co., Ltd
	1-1	1-2	1-3	2	
Grant date		March 24, 2017		February 20, 2018	April 27, 2018
Types of shares to be issued		Registered common shares			One Store Co., Ltd common shares
Grant method		Reissue of treasury shares			Issue of new shares
Number of shares	22,168	22,168	22,168	5,707	1,032,000
Exercise price (in won)	246,750	266,490	287,810	254,120	5,390
Exercise period	Mar. 25, 2019 ~	Mar. 25, 2020 ~	Mar. 25, 2021 ~	Feb. 21, 2020 ~	Apr. 28, 2020 ~
	Mar. 24, 2022	Mar. 24, 2023	Mar. 24, 2024	Feb. 20, 2023	Apr. 27, 2024
Vesting conditions	2 years service from the grant date	3 years service from the grant date	4 years service from the grant date	2 years service from the grant date	2 years service from the grant date

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

	Share compensation expense
<i>(In millions of won)</i>	
During the year ended December 31, 2017	₩ 414
During the six-month period ended June 30, 2018	341
In subsequent periods	1,357
	₩ 2,112

- (3)

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

	Series				One Store Co., Ltd
	1-1	1-2	1-3	2	
Risk-free interest rate	1.86%	1.95%	2.07%	2.63%	2.61%
Estimated option's life	5 years	6 years	7 years	5 years	6 years
Share price (Closing price on the preceding day in won)	262,500	262,500	262,500	243,500	4,925
Expected volatility	13.38%	13.38%	13.38%	16.45%	9.40%
Expected dividends	3.80%	3.80%	3.80%	3.70%	0.00%
Exercise price (in won)	246,750	266,490	287,810	254,120	5,390
Per share fair value of the option (in won)	27,015	20,240	15,480	23,988	566

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23. Retained Earnings

Retained earnings as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
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	6,879,950	4,571,188
	₩ 20,754,708	17,835,946

24. Reserves

(1) Details of reserves, net of taxes, as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Valuation gain on financial assets at FVOCI	₩ 55,881	
Valuation gain on available-for-sale financial assets		168,211
Other comprehensive loss of investments in associates	(271,955)	(320,060)
Valuation loss on derivatives	(82,776)	(73,828)
Foreign currency translation differences for foreign operations	14,974	(9,050)
	₩ (283,876)	(234,727)

(2) Changes in reserves for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	Valuation gain (loss) on financial assets at FVOCI	Valuation gain (loss) on financial available-for-sale assets	Other compre- hensive income (loss) of in associates	Valuation gain (loss) on derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2017	₩	12,534	(179,167)	(96,418)	36,868	(226,183)
Changes, net of taxes		131,456	(61,210)	5,929	(26,617)	49,558
Balance at June 30, 2017		143,990	(240,377)	(90,489)	10,251	(176,625)
Balance at December 31, 2017		168,211	(320,060)	(73,828)	(9,050)	(234,727)
Impact of adopting K-IFRS 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	(43,526)		48,105	(8,948)	24,024	19,655
Balance at June 30, 2018	₩ 55,881		(271,955)	(82,776)	14,974	(283,876)

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25. Other Operating Expenses

Details of other operating expenses for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Communication	₩ 8,451	16,623	6,863	13,997
Utilities	64,382	139,463	64,580	138,251
Taxes and dues	14,820	23,454	6,655	9,954
Repair	91,165	170,323	88,148	163,541
Research and development	98,273	187,698	94,848	189,465
Training	7,225	15,669	6,155	13,031
Bad debt for accounts receivable - trade	10,391	20,211	11,919	18,430
Traveling	6,633	13,329	5,789	11,622
Supplies and others	50,063	84,435	41,148	74,227
	₩ 351,403	671,205	326,105	632,518

26. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Non-operating Income:				
Fees revenues	₩ 459	544	113	186
Gain on disposal of property and equipment and intangible assets	1,383	3,540	3,452	7,976
Others	3,583	18,261	3,602	7,274

	₩ 5,425	22,345	7,167	15,436
Other Non-operating Expenses:				
Loss on impairment of property and equipment and intangible assets	₩ 174	1,077	257	2,451
Loss on disposal of property and equipment and intangible assets	16,689	19,756	3,047	13,174
Donations	16,028	31,999	22,314	37,505
Bad debt for accounts receivable - other	832	4,546		2,191
Loss on impairment of investment assets	2,279	2,734	3,969	6,416
Others	10,263	13,120	38,000	41,589
	₩ 46,265	73,232	67,587	103,326

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27. Finance Income and Costs

- (1) Details of finance income and costs for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Income:				
Interest income	₩ 18,300	35,220	14,688	39,968
Gain on sale of accounts receivable - trade	4,390	8,139	4,065	9,090
Dividends		15,142	433	10,584
Gain on foreign currency transactions	5,853	9,460	5,353	7,639
Gain on foreign currency translations	5,005	5,563	1,668	4,178
Gain on disposal of long-term investment securities			493	2,762
Gain on valuation of derivatives	578	897	554	909
Gain on financial assets at FVTPL	437	9,939		
	₩ 34,563	84,360	27,254	75,130

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Costs:				
Interest expenses	₩ 71,861	146,976	75,066	149,486
Loss on sale of accounts receivable - trade	1,922	4,380	2,437	4,955
Loss on foreign currency transactions	3,719	9,857	4,854	9,217
Loss on foreign currency translations	2,644	3,124		4,968
Loss on disposal of long-term investment securities			35,975	36,024
Loss on settlement of derivatives	12,156	12,156	8,910	8,910
Loss relating to financial liabilities at FVTPL	492	780	198	529

Loss relating to financial assets at FVTPL	378	778		
Others			12,523	12,523
	₩ 93,172	178,051	139,963	226,612

- (2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and short-term financial instruments	₩ 7,852	14,619	7,934	13,539
Interest income on installment receivables and others	10,448	20,601	6,754	26,429
	₩ 18,300	35,220	14,688	39,968

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27. Finance Income and Costs, Continued

- (3) Details of interest expenses included in finance costs for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expenses on borrowings	₩ 2,770	6,332	3,687	6,139
Interest expenses on debentures	57,614	115,584	57,495	113,319
Others	11,477	25,060	13,884	30,028
	₩71,861	146,976	75,066	149,486

- (4) Details of impairment losses on financial assets for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	2018		2017	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Accounts receivable - trade	₩ 10,391	20,211	11,919	18,430
Other receivables	832	4,546		2,191
Available-for-sale financial assets			12,523	12,523
	₩ 11,223	24,757	24,442	33,144

28. 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 by origination and reversal of temporary differences.

29. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the three and six-month periods ended June 30, 2018 and 2017 are calculated as follows:

(In millions of won, except for share data)

		2018		2017	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Basic earnings per share:					
Profit attributable to owners of the Parent Company on common shares	₩	916,652	1,611,611	624,889	1,214,023
Interest on hybrid bonds		(8,420)	(8,420)	(8,420)	(8,420)
Profit for the period available for common shares		908,232	1,603,191	616,469	1,205,603
Weighted average number of common shares outstanding		70,609,160	70,609,160	70,609,160	70,609,160
Basic earnings per share (in won)	₩	12,863	22,705	8,731	17,074

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For the six-month periods ended June 30, 2018 and 2017

29. Earnings per Share, Continued

(1) Basic earnings per share, Continued

- 2) The weighted average number of common shares outstanding for the three and six-month periods ended June 30, 2018 and 2017 are calculated as follows:

(In shares)

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

(In shares)

	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Issued common shares at January 1, 2017	80,745,711	80,745,711	80,745,711
Effect of treasury shares	(10,136,551)	(10,136,551)	(10,136,551)
Weighted average number of common shares outstanding at June 30, 2017	70,609,160	70,609,160	70,609,160

(2) Diluted earnings per share

For the six-month periods ended June 30, 2018 and 2017, diluted earnings per share are the same as basic earnings per share as there are no dilutive potential common shares.

30. Categories of Financial Instruments

(1) Financial assets by category as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018					
	Financial	Equity	Debt	Financial assets at	Derivatives	
	assets at	instruments	instrument	amortized	hedging	Total
	FVTPL	at FVOCI	at FVOCI	cost	instrument	
Cash and cash equivalents	₩			1,796,190		1,796,190
Financial instruments				420,502		420,502
Short-term investment securities	119,547					119,547
Long-term investment securities(*)	396,400	667,368	1,139			1,064,907
Accounts receivable - trade				1,999,887		1,999,887
Loans and other receivables	899,794			877,758		1,777,552
Derivative financial assets	9,950				57,615	67,565
	₩ 1,425,691	667,368	1,139	5,094,337	57,615	7,246,150

(*) The group designated ₩ 667,368 million of equity instrument that is not held for trading as financial assets measured at FVOCI.

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For the six-month periods ended June 30, 2018 and 2017

30. Categories of Financial Instruments, Continued

(1) Financial assets by category as of June 30, 2018 and December 31, 2017 are as follows, Continued:

(In millions of won)

	December 31, 2017				Total
	Financial assets at fair value through profit or loss	Financial assets available-for- sale	Loans and receivables	Derivatives hedging instrument	
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 June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018			Total
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives hedging instrument	
Accounts payable trade	₩	263,198		263,198
Derivative financial liabilities			1,532	1,532
Borrowings		279,998		279,998
Debentures(*)	61,058	7,282,135		7,343,193
Accounts payable - other and others		4,904,298		4,904,298

₩ 61,058	12,729,629	1,532	12,792,219
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(*) Debentures classified as financial liabilities at FVTPL as of June 30, 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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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

30. Categories of Financial Instruments, Continued

(2) Financial liabilities by category as of June 30, 2018 and December 31, 2017 are as follows, Continued:

(In millions of won)

	December 31, 2017			
	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivatives hedging instrument	Total
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.

31. 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 - trade and others, borrowings,

and debentures.

1) Market risk

(i) Currency risk

The Group incurs exchange position due to revenue and expenses from its foreign operations. Major foreign currencies where the currency risk occur are USD, JPY and EUR. The Group determines the currency risk management policy after considering the nature of business and the presence of methods that mitigate the currency risk for each Group entities. Currency risk occurs on forecasted transactions and recognized assets and liabilities which are denominated in a currency other than the functional currency of each Group entity. The Group manages currency risk arising from business transactions by using currency forwards, etc.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary assets and liabilities denominated in foreign currencies as of June 30, 2018 are as follows:

(In millions of won, thousands of foreign currencies)

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	200,705	₩ 225,129	1,619,878	₩ 1,817,018
EUR	9,973	12,935	50	65
JPY	553,676	5,619	203,116	2,061
Others		10,397		6,931
		₩ 254,080		₩ 1,826,075

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

As of June 30, 2018, a hypothetical change in exchange rates by 10% would have increased (reduced) the Group's income before income taxes as follows:

(In millions of won)

If increased by 10% **If decreased by 10%**

USD	₩	13,043	(13,043)
EUR		1,287	(1,287)
JPY		356	(356)
Others		347	(347)
	₩	15,033	(15,033)

(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 June 30, 2018, the floating-rate borrowings and debentures of the Group are ₩229,182 million and ₩336,510 million, respectively, and the Group has entered into interest rate swap agreements for some of floating-rate borrowings and debentures to hedge interest rate risk.

If the interest rate increases (decreases) 1%p with all other variables held constant, income before income taxes for the six-month period ended June 30, 2018 would change by ₩858 million due to the interest expense on floating-rate borrowings that are exposed to interest rate risk.

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For the six-month periods ended June 30, 2018 and 2017

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

The maximum credit exposure as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Cash and cash equivalents	₩ 1,789,085	1,457,416
Financial instruments	420,502	618,002
Investment securities	20,874	19,928
Accounts receivable trade	1,999,887	2,138,755
Loans and other receivables	1,777,552	1,962,083
Derivative financial assets	67,565	30,956
	₩ 6,075,465	6,227,140

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its 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 on its estimated 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 payment statistics for similar financial assets. Also, the Group's credit risk can arise from transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of June 30, 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 within credit lines through strong operating activities.

Contractual maturities of financial liabilities as of June 30, 2018 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable - trade	₩ 263,198	263,198	263,198		
Borrowings(*)	279,998	292,295	139,636	152,659	
Debentures(*)	7,343,193	8,784,269	1,105,723	4,572,521	3,106,025
Accounts payable - other and others	4,904,298	5,037,387	3,828,346	896,220	312,821
	₩ 12,790,687	14,377,149	5,336,903	5,621,400	3,418,846

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. 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 June 30, 2018, periods in which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	₩ 57,615	52,815	35,086	49,285	(31,556)
Liabilities	(1,532)	(1,605)	(94)	(1,511)	
	₩ 56,083	51,210	34,992	47,774	(31,556)

(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 June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

	June 30, 2018	December 31, 2017
Total liabilities	₩ 15,428,008	15,399,474
Total equity	20,908,749	18,029,195
Debt-equity ratios	73.79%	85.41%

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. Financial Risk Management, Continued

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2018 are as follows:

(In millions of won)

	June 30, 2018				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
FVTPL	₩ 1,425,691		1,029,291	396,400	1,425,691
Derivative financial assets	57,615		57,615		57,615
FVOCI	668,507	533,466		135,041	668,507
	₩ 2,151,813	533,466	1,086,906	531,441	2,151,813
Financial liabilities that are measured at fair value:					
FVTPL	₩ 61,058		61,058		61,058
Derivative financial liabilities	1,532		1,532		1,532
	₩ 62,590		62,590		62,590
Financial liabilities that are not measured at fair value:					
Borrowings	₩ 279,998		280,868		280,868
Debentures	7,282,135		7,596,342		7,596,342
Long-term payables - other	1,357,937		1,425,552		1,425,552
	₩ 8,920,070		9,302,762		9,302,762

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. 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:

(In millions of won)

		December 31, 2017				
	Carrying amount	Level 1	Level 2	Level 3	Total	
Financial assets that are measured at fair value:						
Financial assets at fair value through profit or loss	₩ 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	
Financial liabilities that are measured at fair value:						
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	
Financial liabilities that are not measured at fair value:						
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 assets and liabilities of which fair values have not been measured as carrying amounts are reasonable approximation of fair values.

Available-for-sale financial assets amounting to ₩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 classified as financial assets at FVOCI that are traded in an active market 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.

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SK TELECOM CO., LTD. and Subsidiaries

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For the six-month periods ended June 30, 2018 and 2017

31. Financial Risk Management, Continued

(3) Fair value, Continued

Interest rates used by the Group for the fair value measurement as of June 30, 2018 are as follows:

	Interest rate
Derivative instruments	1.47 ~ 2.83%
Borrowings and debentures	2.49 ~ 2.53%
Long-term payables - other	2.23 ~ 2.58%

- 3) There have been no transfers between Level 2 to Level 1 for the six-month period ended June 30, 2018. The changes of financial assets classified as Level 3 for the six-month period ended June 30, 2018 are as follows:

(In millions of won)

	Balance at January 1, 2018	Impact of adopting K-IFRS No. 1109	Gain or loss for the year	Other compre- hensive income	Acquisition	Disposal	Balance at June 30, 2018
Financial assets at fair value through profit or loss	₩ 222,257	(222,257)					
Available-for-sale financial assets	97,902	(97,902)					
FVTPL		391,515	6,915	854	1,679	(4,563)	396,400
FVOCI		129,455		2,513	7,136	(4,063)	135,041
	₩ 320,159	200,811	6,915	3,367	8,815	(8,626)	531,441

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

			June 30, 2018		
	Gross financial	Amount	Net financial	Relevant financial	Net amount
	instruments	offset	instruments	instruments not offset	
	recognized		presented on the		
			statement of		
			financial position		
Financial assets:					
Derivatives(*)	₩ 67,565		67,565	(1,400)	66,165
Accounts receivable trade and others	97,088	(96,512)	576		576
	₩ 164,653	(96,512)	68,141	(1,400)	66,741
Financial liabilities:					
Derivatives(*)	₩ 1,400		1,400	(1,400)	
Accounts payable - other and others	96,512	(96,512)			
	₩ 97,912	(96,512)	1,400	(1,400)	

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

31. 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 June 30, 2018 and December 31, 2017 are as follows, Continued:

(In millions of won)

	Gross financial instruments recognized	Amount offset	December 31, 2017 Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
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
Financial liabilities:					
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.

32. Transactions with Related Parties

(1) List of related parties

Relationship	Company
Ultimate Controlling Entity	SK Holdings Co., Ltd.
Joint ventures	Dogus Planet, Inc. and 2 others
Associates	SK hynix Inc. and 38 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.

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SK TELECOM CO., LTD. and Subsidiaries

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32. Transactions with Related Parties, Continued

(2) Compensation for the key management personnel

The Parent Company considers registered directors (3 inside and 5 outside directors) who have substantial role and responsibility in planning, operations, and relevant controls of the business as key management personnel. The compensation given to such key management personnel for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

<i>(In millions of won)</i>	2018		2017	
	For the period ended June 30			
	Three-month	Six-month	Three-month	Six-month
Salaries	₩ 479	3,216	331	1,499
Defined benefits plan expenses	121	678	85	92
Share option	137	271	133	145
	₩ 737	4,165	549	1,736

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

(3) Transactions with related parties for the three and six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

Scope	Company	2018					
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 5,748	11,294	93,045	375,207	15,616	19,244

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Associates	F&U Credit information Co., Ltd.	678	1,350	13,959	27,606		
	HappyNarae Co., Ltd.	1,632	1,766	3,636	7,461	18,478	24,162
	SK hynix Inc.(*2)	6,298	159,403	178	206		
	KEB HanaCard Co., Ltd.	4,906	8,938	8,286	12,317		
	Others(*3)	1,991	2,305	3,457	18,477	543	543
		15,505	173,762	29,516	66,067	19,021	24,705
Other	SK Engineering & Construction Co., Ltd.	1,970	2,767	351	572		
	SK Innovation Co., Ltd.	1,267	4,413	338	519		
	SK Networks Co., Ltd.	6,329	10,216	268,662	553,329	84	84
	SK Networks Service Co., Ltd.	198	382	22,808	45,846	1,778	2,033
	SK Telesys Co., Ltd.	108	194	3,720	5,927	31,286	38,909
	SK TNS Co., Ltd	39	72	7,744	8,851	101,888	123,242
	SK Energy Co., Ltd.	2,029	3,269	269	405		
	SKC Infra Services Co., Ltd	35	41	10,998	21,862	7,320	12,658
	SK infosec Co., Ltd.	296	503	15,797	27,225	2,464	2,550
	Others	27,242	34,901	2,636	8,393		
		39,513	56,758	333,323	672,929	144,820	179,476
	₩ 60,766	241,814	455,884	1,114,203	179,457	223,425	

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

32. Transactions with Related Parties, Continued

- (3) Transactions with related parties for the three and six-month periods ended June 30, 2018 and 2017 are as follows, Continued

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

(*2) Operating revenue and others include ₩147,100 million of dividends declared by the associates which was deducted from the investment in associates.

(*3) Operating revenue and others include ₩1,676 million of dividends declared by Korea IT Fund and UniSK which was deducted from the investment in associates.

(In millions of won)

Scope	Company	2017					
		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holdings Co., Ltd.(*1)	₩ 5,254	10,880	102,046	379,322	78,087	136,639
Associates	F&U Credit information Co., Ltd.	697	1,370	12,880	27,137	37	37
	HappyNarae Co., Ltd.	165	2,771	5,612	13,032	12,430	15,361
	SK hynix Inc.(*2)	10,115	102,665	317	349		
	KEB HanaCard Co., Ltd.	4,577	9,174	3,714	7,400	43	43
	Others(*3)	1,971	3,212	5,086	26,472	151	151
		17,525	119,192	27,609	74,390	12,661	15,592
Other	SK Engineering & Construction Co.,	2,190	3,085	357	576		

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Ltd.							
SK Networks Co., Ltd.	5,959	10,033	283,641	528,311	281	281	
SK Networks service Co., Ltd.	33	78	17,238	40,017	455	1,689	
SK Telesys Co., Ltd.	61	162	12,428	19,151	28,787	46,867	
SK Energy Co., Ltd.	1,493	2,333	286	420			
SK Innovation Co., Ltd.	1,807	3,659	309	490			
SK TNS Co., Ltd	35	67	7,201	7,498	70,348	94,726	
SK infosec Co., Ltd.	486	503	13,070	27,199	3,094	4,656	
Others	8,103	14,280	20,998	36,360	13,718	20,858	
	20,167	34,200	355,528	660,022	116,683	169,077	
	₩42,946	164,272	485,183	1,113,734	207,431	321,308	

(*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.

(*2) Operating revenue and others include ₩1,403 million of dividends declared by Korea IT Fund and UniSK which was deducted from the investment in associates.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

32. Transactions with Related Parties, Continued

(4) Account balances with related parties as of June 30, 2018 and December 31, 2017 are as follows:

(In millions of won)

Scope	Company	Loans	June 30, 2018		
			Accounts receivable trade and others	Accounts payable other and others	
Ultimate Controlling Entity	SK Holdings Co., Ltd.	₩	1,883	50,648	
Associates	HappyNarae Co., Ltd.		384	3,023	
	F&U Credit information Co., Ltd.		75	1,297	
	SK hynix Inc.		1,921	181	
	Wave City Development Co., Ltd.		37,263		
	Daehan Kanggun BcN Co., Ltd.(*)	22,147			
	KEB HanaCard Co., Ltd.		3,475	13,617	
	Xian Tianlong Science and Technology Co., Ltd.	7,032			
	Others	611	3,459	1,349	
			29,790	46,577	19,467
	Other	SK Engineering & Construction Co., Ltd.		735	148
SK Networks. Co., Ltd.			3,935	161,917	
SK Networks Services Co., Ltd.			12	9,873	
SK Telesys Co., Ltd.			52	7,381	
SK TNS Co., Ltd.			10	43,814	
SK Innovation Co., Ltd.			2,395	491	
SK Energy Co., Ltd.			1,153	307	
SKC Infra Services Co., Ltd			9	5,274	
SK Infosec Co., Ltd			11,043		
Others		10,824	2,754		

	19,125	243,002
₩ 29,790	67,585	313,117

(*) As of June 30, 2018, the Parent Company recognized the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.

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For the six-month periods ended June 30, 2018 and 2017

32. Transactions with Related Parties, Continued

(4) Account balances with related parties as of June 30, 2018 and December 31, 2017 are as follows, Continued:

(In millions of won)

Scope	Company	Loans	December 31, 2017	
			Accounts receivable Accounts receivable - trade and others	Accounts payable accounts payable - other and others
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
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 the entire balance of loans to Daehan Kanggun BcN Co., Ltd. as loss allowances.
- (5) SK m&service Co., Ltd., a subsidiary of the Parent Company, has entered into a performance agreement with SK Energy Co., Ltd. and provided a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (6) During the six-month period ended June 30, 2018, there were additional investments in the associates (See note 12).

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

33. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of ₩3,933 million as of June 30, 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 June 30, 2018.

(2) Legal claims and litigations

The Group is involved in a legal claim with Nonghyup Bank over the validity of partnership contract. No provisions have been made as the final outcome of the matter cannot be determined or predicted at the current stage.

As of June 30, 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 those legal claims and litigation for which no provision was recognized, management does not believe the Group has a present obligation, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

(3) Accounts receivables from sale of handsets

The sales agents of the Group sell handsets to the Group's subscribers on an installment basis. During the six-month period ended June 30, 2018, the Group entered into a comprehensive agreement to purchase the accounts receivables from handset sales with agents and to transfer the accounts receivables from handset sales to special purpose companies which were established with the purpose of liquidating receivables, respectively.

The accounts receivables from sale of handsets amounting to ₩935,773 million as of June 30, 2018 which the Group purchased according to the relevant comprehensive agreement are recognized as accounts receivable—other and long-term accounts receivable—other.

(4) Siren Holdings Korea Co., Ltd. stock purchase contract

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 residential customer base. 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 transaction is subject to government's approval, and terms and conditions of the contract may change in the course of obtaining approval and application of laws related to the approval, and the acquisition price may also change upon the price adjustment at the transaction date.

Blue Security Investments, LLC. will purchase 45% ownership of Siren Holdings Korea Co., Ltd. at the conclusion of transaction, and, according to the agreement with the shareholders along with the contract, the entire shares will be converted to cumulative and participating convertible preferred stocks as soon as possible. The holders of the convertible preferred stock can exercise the same voting right as the holders of the common stock. The convertible preferred stock has 1-to-1 conversion ratio to common stock without restriction and empowers the holders a right of priority to the dividends at 2% of their investments.

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SK TELECOM CO., LTD. and Subsidiaries

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For the six-month periods ended June 30, 2018 and 2017

34. Statements of Cash Flows

- (1) Adjustments for income and expenses not involving cash flows for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30,	
	2018	June 30, 2017
Interest income	₩ (35,220)	(39,968)
Dividends	(15,142)	(10,584)
Gain on foreign currency translation	(5,563)	(4,178)
Gain relating to financial assets at FVTPL	(9,939)	
Gain on disposal of long-term investments securities		(2,762)
Gain on valuation of derivatives	(897)	(909)
Gain on sale of accounts receivable - trade	(8,139)	(9,090)
Gain relating to investments in associates and joint ventures, net	(1,542,240)	(878,250)
Gain on disposal of property, equipment and intangible assets	(3,540)	(7,976)
Other income	(282)	
Interest expenses	146,976	149,486
Loss on foreign currency translation	3,124	4,968
Loss on disposal of long-term investments securities		36,024
Other finance costs		12,523
Loss on settlement of derivatives	12,156	8,910
Loss relating to financial assets at FVTPL	778	
Loss relating to financial liabilities at FVTPL	780	529
Loss on sale of accounts receivable - trade	4,380	4,955
Bad debt for accounts receivable trade	20,211	18,430
Income tax expense	462,359	268,654
Depreciation and amortization	1,630,495	1,598,776
Impairment loss on property and equipment and intangible assets	1,077	2,451
Loss on disposal of property and equipment and intangible assets	19,756	13,174

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Retirement benefit expenses	67,531	58,878
Share option	341	145
Loss on impairment of investment assets	2,734	6,416
Bad debt for accounts receivable - other	4,546	2,191
Other expenses	3,863	767
	₩ 760,145	1,233,560

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

34. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Accounts receivable - trade	₩ 120,360	(1,159)
Accounts receivable - other	165,696	130,403
Accrued income	(528)	38
Advance payments	11,753	(1,401)
Prepaid expenses	15,077	(9,014)
Value-Added Tax refundable	8,135	2,824
Inventories	15,086	(3,008)
Long-term accounts receivable - other	37,042	42,280
Contract assets	15,571	
Guarantee deposits	(6,271)	8,808
Accounts payable - trade	(97,991)	(105,055)
Accounts payable - other	(200,492)	(409,289)
Advanced receipts		(8,058)
Withholdings	42,728	131,065
Deposits received	(976)	(2,574)
Contract liabilities	(18,305)	
Accrued expenses	(109,246)	(6,119)
Value-Added Tax payable	13,377	10,587
Unearned revenue		(6,453)
Provisions	(4,496)	(314)
Long-term provisions	2,101	(3,439)
Plan assets	6,906	12,897
Retirement benefit payment	(25,166)	(26,201)
Others	(7,375)	(1,606)
	₩ (17,014)	(244,788)

(3) Significant non-cash transactions for the six-month periods ended June 30, 2018 and 2017 are as follows:

(In millions of won)

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Decrease in accounts payable - other relating to the acquisition of property and equipment and intangible assets	(349,737)	(363,155)

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017

35. Interim dividends

The board of the directors of the Parent Company resolved to pay the interim dividend at the board meeting on July 26, 2018, and the details are as follows:

Interim dividend amount	₩1,000 per share (Total amount: ₩70,609 million)
Dividend rate	0.4%
Dividend date	June 30, 2018
Date of distribution	According to Article 464 Commercial Act 2-1, the company is to distribute dividends by August 26, 2018.