

SK TELECOM CO LTD  
Form 6-K  
December 14, 2017  
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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 DECEMBER 2017**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

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

**Euljiro65(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): 82-

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QUARTERLY BUSINESS REPORT

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

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

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

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

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

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

The Company's quarterly business report for the nine months ended September 30, 2017 includes the following consolidated subsidiaries:

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

SK Global Healthcare Business Group, Ltd.				
SK Planet Japan, K. K.	Mar. 14, 2012	Digital contents sourcing services	4,026	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	4,664	
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	357	
SKP GLOBAL HOLDINGS PTE, LTD.	Aug. 10, 2012	Investment (holding company)	47,507	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	48,369	
SKP America LLC	Jan. 27, 2012	Digital contents sourcing services	439,209	Material
YTK Investment Ltd.	Jul. 1, 2010	Investment	16,826	

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<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2016 (millions of Won)</b>	<b>Material Subsidiary*</b>
Atlas Investment	Jun. 24, 2011	Investment	79,477	Material
SK Telecom Innovation Fund, L.P.	Jan. 15, 2016	Investment	36,031	
SK Telecom China Fund I L.P.	Sept. 14, 2011	Investment	22,182	
Entrix Co., Ltd.	July 1, 2015	Telecommunication services	20,360	
SK TechX Co., Ltd.	Mar. 1, 2016	Telecommunication services	212,819	Material
Onestore Co., Ltd.	Mar. 1, 2016	Contents distribution	134,207	Material
Shopkick Management Company, Inc.	Oct. 9, 2014	Investment	354,627	Material
Shopkick, Inc.	Jun. 1, 2009	Mileage based e-commerce application development	37,947	
Planet 11 E-commerce Solutions India Pvt. Ltd.	Sept. 1, 2014	E-commerce management	1,604	
11 street (Thailand) Co., Ltd.	Apr. 5, 2016	E-commerce	17,886	
HelloNature Co., Ltd.	Jan. 5, 2012	B2C organic food e-commerce	548	
Home&Service Co., Ltd.	June 5, 2017	Information and telecommunication system maintenance	45,692	
S.M. Life Design Company Japan Inc.	June 25, 2008	Japanese goods business	11,114	

∅ 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 nine months ended September 30, 2017 are set forth below.

<b>Change</b>	<b>Name</b>	<b>Remarks</b>
Additions	Home&Service Co., Ltd.	Newly established by SK Broadband Co., Ltd.
	S.M. Life Design Company Japan Inc.	Newly acquired by Iriver Ltd.
Exclusions	Stonebridge Cinema Fund	Disposed of equity investment

**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>

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### **D. Major Businesses**

#### (1) Wireless business

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

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

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

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

#### (2) Fixed-line business

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

#### (3) Other businesses

The Company is a leading player in the Korean e-commerce industry with 11th Street, an e-commerce platform service that connects various sellers and purchasers through its online and mobile platforms, Shocking Deal, a mobile commerce curation service and BENEPIA, a customized benefits and rewards service platform. In addition, the Company has rapidly grown into a top tier player in Turkey, Indonesia and Malaysia after launching open market businesses in these countries by optimizing its businesses for the respective local markets and utilizing its expertise in the e-commerce platform business. In the online-to-offline ( O2O ) area, the Company is a leading player and continues



to expand its market power with OK Cashbag, Korea's largest loyalty mileage program, SyrupWallet, which offers smart shopping services utilizing its network of business partners and information technology such as big data, and other Syrup-related services such as gifticon, Syrup Table and 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 advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services. The Company offers differentiated services utilizing a combination of big data, research-driven insight, sophisticated communication strategies, innovative and creative strategies, optimized media execution and powerful promotions. Surpassing the role of a conventional advertising agency, the Company helps businesses create new value.

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

See II-1. Business Overview for more information.

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## (1) Corporate bonds

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

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	Corporate bond			
October 26, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
February 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
May 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
April 12, 2017	Corporate bond	AAA	Korea Ratings	Regular rating
April 12, 2017	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 12, 2017	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Regular rating
April 12, 2017	Corporate bond	AAA	Korea Ratings	Current rating
April 12, 2017	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 12, 2017	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating

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

(2) Commercial paper ( CP )

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

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

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

## (3) International credit ratings

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

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	Bonds denominated in U.S. dollars			
October 24, 2012	Bonds denominated in U.S. dollars	A3	Moody's Investors Service	Current rating
October 24, 2012	Bonds denominated in U.S. dollars	A-	Standard & Poor's Rating Services	Current rating

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

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

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### **2. Company History**

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

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

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

#### **A. Location of Headquarters**

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

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

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

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

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

#### **B. Significant Changes in Management**

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

#### **C. Change in Company Name**

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

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

#### **D. Mergers, Acquisitions and Restructuring**

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

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



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(2) Acquisition of shares of PS&Marketing

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

(3) Disposition of shares of iHQ Inc.

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

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

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

(5) Acquisition of shares of Iriver

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

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

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

(7) Disposition of Shenzhen E-Eye shares

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

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

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

(9) SK Broadband - Comprehensive Share Exchange

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

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

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

Date of Share Exchange agreement: March 23, 2015

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Record date: April 6, 2015

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

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

Date of the Share Exchange: June 9, 2015

(10) Establishment of Entrix Co., Ltd.

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

(11) Additional capital raise by NanoEnTek Inc.

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

(12) Reclassification of Packet One Networks' accounts

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

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

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

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

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

(15) Tender offer of shares of CJ HelloVision

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

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

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

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

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

(18) Establishment of Hana-SK Fintech Corporation

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

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

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

(20) Acquisition of shares of SM Mobile Communications

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

(21) Exchange of shares of SK Communications

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

(22) 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.

(23) 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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(24) 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 is expected to take place on December 14, 2017, upon which exchange SK Telink will become a wholly-owned subsidiary of the Company.

**[SK Broadband]**

(1) Share Exchange

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

(2) Merger among Subsidiaries and Affiliates

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

(3) Merger with CJ HelloVision

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

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

(4) Establishment of a subsidiary

On May 23, 2017, SK Broadband's board of directors resolved to approve the establishment of a subsidiary. On June 5, 2017, SK Broadband established Home&Service Co., Ltd. ( Home&Service ), a subsidiary responsible for the

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



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**[SK Planet]**

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

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

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

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

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

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

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

On May 29, 2017, the board of directors of SK Planet resolved to transfer the operations and assets related to its BENEPIA business for Won 7.5 billion to SK M&Service Co., Ltd. as of July 1, 2017.

Effective as of October 1, 2017, SK Planet spun off its advertising agency business in order to strengthen the competitiveness of the business for future growth.

On July 17, 2017, the board of directors of SK Planet resolved to sell 100% of its shares of SM Contents & Communications, a newly established company resulting from the spin off of SK Planet's advertising agency business, to SM Culture & Contents Co., Ltd. to further concentrate business capabilities and efficiently allocate management resources. The closing date of this transaction was October 24, 2017.

**[SK Telink]**

(1) Acquisition of shares of NSOK

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

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

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(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.

(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) New Establishment of groovers Japan Co. Ltd. ( groovers Japan )  
On February 25, 2015, Iriver newly established its overseas subsidiary, groovers Japan, for the purpose of strengthening new business opportunities in Japan.

(3) 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.

**[SK M&Service]**

(1) Acquisition of SK Planet's BENEPIA business

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

**E. Other Important Matters related to Management Activities**

**[SK Telecom]**

(1) Issuance of bonds

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

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

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

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

July 17, 2030).

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

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

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

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

**(2) Issuance of hybrid securities**

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

**[SK Broadband]**

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

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

(As of September 30, 2017)

(Unit: in shares)

**Share type**

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



**Table of Contents****B. Treasury Shares**

## (1) Acquisitions and dispositions of treasury shares

(As of September 30, 2017)

(Unit: in shares)

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

**4. Status of Voting Rights**

(As of September 30 2017)

(Unit: in shares)

Classification		Number of shares	Remarks
Total shares (A)	Common share	80,745,711	
	Preferred share		
Number of shares without voting rights (B)	Common share	10,136,551	Treasury shares
	Preferred share		
Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation ) (C)	Common share		
	Preferred share		
Shares with restricted voting rights pursuant to Korean law (D)	Common share		
	Preferred share		

<b>Shares with reestablished voting rights (E)</b>	Common share	
	Preferred share	
<b>The number of shares with exercisable voting rights (F = A - B - C - D + E)</b>	Common share	70,609,160
	Preferred share	

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**5. Dividends and Others**

**A. Dividends**

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

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

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

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

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

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

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

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

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

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

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

**As of and for the three  
months ended****September 30, As of and for the year ended and for the year ended**

<b>Classification</b>	<b>2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Par value per share (Won)	500	500	500
(Consolidated) Net income	2,009,849	1,675,967	1,518,604
Net income per share (Won)	28,345	23,497	20,988
Total cash dividend	70,609	706,091	708,111
Total stock dividends (Consolidated)			
Percentage of cash dividend to available income (%)	3.5	42.1	46.6
Cash dividend yield ratio (%)	0.4	4.3	4.6
Stock dividend yield ratio (%)			
Cash dividend per share (Won)	1,000	10,000	10,000
Stock dividend per share (share)			

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

**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.

<b>Classification</b>	<b>Company name</b>	<b>Description of business</b>
	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
<b>Wireless</b>	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
	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
<b>Fixed-line</b>		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, Mobile Virtual Network Operator ( MVNO ) business and automated security services
	SK Planet Co., Ltd.	Various platform services such as 11th Street, Syrup, OK Cashbag in the commerce area
<b>Other business</b>	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
	SK Planet America LLC	System software development, distribution and investments
	Shopkick Management Company, Inc.	System software development, distribution and investments
	Atlas Investment	Investments

**[Wireless Business]****A. Industry Characteristics**

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

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

In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized. Since June 2017, through the commercialization of 5band CA technology, which is considered the final stage of LTE development, we have provided 4.5G service at the speed of 700Mbps to 900Mbps. Such achievements were the building blocks towards the Company's LTE penetration reaching 74.8% as of September 30, 2017.

**B. Growth Potential**

(Unit: in 1,000 persons)

Classification		As of September 30,	As of	
		2017	December 31,	2015
Number of subscribers	SK Telecom	26,748	26,428	25,928
	Others (KT, LGU+)	28,104	27,018	26,088
	MVNO	7,393	6,841	5,921
	<b>Total</b>	<b>62,245</b>	<b>60,287</b>	<b>57,937</b>

\* Source: Wireless subscriber data from the Ministry of Science and ICT ( MSIT ) as of September 30, 2017.

**C. Domestic and Overseas Market Conditions**

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

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

(Unit: in percentages)

Classification	As of September 30,	As of December 31,		
	2017	2016	2015	2014
Mobile communication services	48.45	49.09	49.41	50.22

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

**D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, in the third quarter of 2017, the Company recorded Won 4.4 trillion in revenue and Won 392.4 billion in operating income on a consolidated basis and Won 3.2 trillion in revenue and Won 420.7 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.



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By continuing to be innovative in developing core competencies, the Company has more firmly established its position as the market leader in wireless telecommunications. The competitive environment of the wireless telecommunications industry has become more focused on retention. In the third quarter of 2017, the average monthly churn rate was 1.4%. The number of subscribers (including MVNO subscribers) as of September 30, 2017, was 30.2 million, an increase of approximately 170,000 since June 30, 2017. In particular, the number of smartphone subscribers as of September 30, 2017, was 22.7 million, an increase of approximately 320,000 since December 31, 2016, propelled by 22.6 million LTE subscribers, solidifying the Company's market leadership. In addition, the Company continued to sell products targeted towards second devices such as the T Kids phone Joon and T Outdoor, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.

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

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

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

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

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

**[Fixed-line Business]**

**A. Industry Characteristics**

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

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

**B. Growth Potential**

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

Classification		As of September 30, As of December 31,		
		2017	2016	2015
Fixed-line Subscribers	High-speed Internet	21,114	20,556	20,025
	Fixed-line telephone	15,260	15,746	16,341
	IPTV (real-time)	13,314	11,850	10,992

\* Source: MSIT website.

\* Number of IPTV subscribers as of September 30, 2017 is the average number of IPTV subscribers in the first six months of 2017 based on MSIT announcements on November 9, 2017.

**C. Cyclical Nature and Seasonality**

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

**D. Market Shares**

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

(Unit: in percentages)

Classification	As of September 30, As of December 31,		
	2017	2016	2015
High-speed Internet (including resales)	25.6	25.3	25.1
Fixed-line telephone (including Voice over Internet Protocol ( VoIP )	16.9	16.9	17.1
IPTV	30.6	30.7	30.5

- \* 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 number of IPTV subscribers was taken from data announced by the MSIT on November 9, 2017, and the number of IPTV subscribers as of September 30, 2017, was calculated using the average number of subscribers for the first six months of 2017.

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

For the nine months ended September 30, 2017, we recorded Won 2,212 billion in revenue, Won 89.3 billion in operating income and Won 10.8 billion in profit for the period for our fixed-line business. Our revenue increased by 1.2% in the third quarter of 2017 to Won 760 billion compared to the same period in 2016, primarily due to an increase in the number of IPTV subscribers and an increase in sales of paid-for contents. We recorded Won 29.8 billion in operating income. While operating income for the third quarter of 2017 decreased compared to the previous quarter due to increases in marketing expense and commission fees, our revenue increased compared to the previous quarter due to the steady growth of revenue from our IPTV business as a result of increases in IPTV subscribers and platform sales, as well as increased sales from our high-speed internet business and our expanded fixed-line network. Without the effect of one-time costs associated with the establishment of Home&Service in the previous quarter, we achieved a net profit for the quarter as well as the nine months ended September 30, 2017. As of September 30, 2017, the number of subscribers to each of our high-speed internet, fixed-line telephones (including VoIP) and IPTV services was 5.40 million, 4.16 million and 4.29 million, respectively.

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In comparison to the previous quarter, net additions of our high-speed internet and IPTV subscribers increased by 75% to 59,000 and 20% to 117,000, respectively, primarily due to the launch of Home&Service, which revitalized our marketing capacity by expanding new distribution channels and strengthening customer retention. In addition, sales from high-end products such as Giga and UHD accounted for more than 25% and 40%, respectively, of our respective subscriber based, contributing to a shift towards a stronger high-tier subscriber base.

Our IPTV business has continued to grow due to increases in the number of subscribers and the average revenue per subscriber, which are key performance indicators. In particular, the number of subscribers of the mobile media platform Oksusu increased by 630,000 to a total of 8.1 million in the third quarter of 2017. We plan to continue to strengthen the competitiveness of our fixed-line and wireless media platforms by launching new products and services while furthering our efforts for contents differentiation by developing original contents and launching major overseas channels.

In our corporate business, revenues for the third quarter of 2017 increased slightly compared to the previous quarter, while the proportion of revenues from our Core & Growth business continues to grow.

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

**[Other Business]****A. Industry Characteristics**

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

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

A platform business has strong growth potential due to its connectivity with related services and ease of global expansion. Apple became a world-leading smartphone producer based on its innovative design and the competitive strength of its App Store platform. Google has created a new ecosystem of long-tail advertising by attracting millions of third parties to its advertising platform, as well as showing strong growth in mobile markets with its competitive

platform based on Android OS. It is becoming increasingly important to enhance competitiveness through a database that can register and analyze purchase patterns of customers across all areas and a platform with large data capacity with which to utilize this database and provide differentiated services to customers.

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### **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 11<sup>th</sup> Street, Syrup and OK Cashbag, thereby ultimately increasing its enterprise value.

#### **(1) Commerce business**

11th Street, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market. Furthermore, 11th Street has established itself as the domestic market leader in mobile commerce, following its successful entry into and rapid growth in this market. Growth plans involving overseas joint ventures based on 11th Street's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2013. In Indonesia, an open market service was launched in March 2014 through collaboration with PT XL Axiata Tbk, a wireless telecommunications company in Indonesia. In October 2014, SK Planet and Celcom Axiata Berhad, which is a leading telecommunications service provider in Malaysia, established a joint venture, Celcom Planet, and launched

online commerce services tailored to the Malaysian market in April 2015. 11th Street is not only actively engaged in operating such business in Malaysia, but has also launched its service in Thailand in February 2017.

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

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.



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## (2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. The Company 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 16.1% in the instant messenger market in Korea with 2.5 million net users during the month of September 2017. Nate, the Company's Internet search portal service, realized a page-view market share of 4.0% as of September 30, 2017. (Source: Korean Click, based on fixed-line access)

**2. Updates on Major Products and Services**

(Unit: in millions of Won and percentages)

<b>Business</b>	<b>Major Companies</b>	<b>Item</b>	<b>Major Trademarks</b>	<b>Consolidated Sales Amount (ratio)</b>
<b>Wireless</b>	SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T, Band Data and others	9,876,835 (76%)
<b>Fixed-line</b>	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	2,019,808 (16%)
<b>Other</b>	SK Planet Co., Ltd., SK TechX Co., Ltd.	Internet portal service and e-commerce	11th Street, OK Cashbag, NATE, Onestore and others	1,126,054 (8%)

Onestore Co., Ltd.,  
SK Communications Co., Ltd.,

M&Service Co., Ltd.,

SKP America, LLC,

Shopkick Mgmt. Co., Ltd.

Total

13,022,697 (100%)

**[Wireless Business]**

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

**Table of Contents****[Fixed-line Business]**

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of September 30, 2017, broadband Internet and TV services comprised 62.4% of SK Broadband's revenue, 12.8% of telephony services, 23.2% of corporate data services and 1.6% of other telecommunications services. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long term contracts, changes in equipment costs and competition between companies.

**[Other Business]**

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

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

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

(Unit: in 100 millions of Won)

<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>Expected investment amount</b>	<b>Amount already invested</b>	<b>Future investment</b>
Network/Common	Upgrade/ New installation	Nine months ended September 30, 2017	Network, systems and others	Capacity increase and quality improvement; systems improvement	20,000	10,046	
Total					20,000*	10,046	

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

**B. Future Investment Plan**

(Unit: in 100 millions of Won)

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

**[Fixed-line Business]**

### A. Investment in Progress

For the nine months ended September 30, 2017, the Company spent Won 465.6 billion for capital expenditures as set out below, including the investment of Won 163.3 billion to expand subscriber networks. The Company expects to spend additional amounts to strengthen the competitiveness of its infrastructure and media platform.

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(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Amount already invested	Future investment
High-speed Internet				Expand subscriber networks and facilities	1,861	
Telephone					48	
Television					1,120	
Corporate Data	Upgrade/ New installation	Nine months ended September 30, 2017	Backbone and subscriber network/others	Increase leased-line and integrated information system	829	To be determined
Others				Expand networks and required space	798	
Total					4,656	

**4. Revenues**

(Unit: in millions of Won)

Business	Sales type	Item	For the nine months ended September 30, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>Wireless</b>	Services	Export	15,011	17,393	15,035
		Domestic	9,861,824	12,987,516	13,254,243
		Subtotal	9,876,835	13,004,909	13,269,278
<b>Fixed-line</b>	Services	Export	56,789	92,630	94,387
		Domestic	1,963,019	2,558,563	2,400,186
		Subtotal	2,019,808	2,651,193	2,494,573
<b>Other</b>	Services	Export	25,785	42,205	53,622
		Domestic	1,100,269	1,393,509	1,319,261
		Subtotal	1,126,054	1,435,714	1,372,883
Total		Export	97,585	152,228	163,044
		Domestic	12,925,112	16,939,588	16,973,690
		Total	13,022,697	17,091,816	17,136,734

(Unit: in millions of Won)

For the nine months ended September 30, 2017	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
Total sales	11,072,955	2,573,392	1,382,115	15,028,462	(2,005,765)	13,022,697
Internal sales	1,196,120	553,584	256,061	2,005,765	(2,005,765)	
External sales	9,876,835	2,019,808	1,126,054	13,022,697		13,022,697

<b>Operating income (loss)</b>	1,333,587	121,314	(228,723)	1,226,178		1,226,178
<b>Profit (loss) for the period</b>						2,476,697
<b>Total assets</b>	25,622,005	4,059,839	2,587,762	32,269,606	(345,780)	31,923,826
<b>Total liabilities</b>	10,492,416	2,511,543	1,151,549	14,155,508	292,233	14,447,741

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

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

<b>Borrowing date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>Contract type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 Jul. 20, 2027
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	Foreign currency risk	Cross currency swap	Standard Chartered and nine other banks	Nov. 1, 2012 May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$57,535,000)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 Apr. 29, 2022
Dec. 20, 2016	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 20, 2016 Dec. 20, 2021

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January 30, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 32,667 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 Jul. 30, 2019
March 31, 2017	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	March 31, 2017 March 31, 2020



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

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

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

Hedged item	Accumulated gain (loss) on valuation of derivatives	Tax effect	Fair value		Trading purposes	Total
			Cash flow hedge	Foreign currency translation loss (gain)		
<b>Current assets:</b>						
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	(13,570)	(4,333)	39,008			21,105
<b>Non-current assets:</b>						
Structured bond (face value of Won 50,000 million)					8,563	8,563
Fixed-to-fixed cross currency swap  (U.S. dollar denominated bonds face value of US\$400,000,000)	(59,508)	(18,999)	1,174	129,806		52,473
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(5,671)	(1,811)	18,857			11,375
Fixed-to-fixed cross currency swap  (U.S. dollar denominated bonds face value of US\$57,535,000)	(3,397)	(1,084)	5,125			644
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000,000)	(4,585)		25,280			20,695
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million)	96					96
<b>Total assets:</b>						114,951
<b>Current liabilities:</b>						
Fixed-to-fixed cross currency swap  (Australian dollar denominated bonds face value of AUD 300,000,000)	2,103	671	(65,177)			(62,403)
<b>Non-current liabilities:</b>						

Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 32,667 million)	(1)		(1)
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 30,000 million)	(288)	(91)	(379)
<b>Total liabilities:</b>			(62,783)

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

## 6. Major Contracts

### [SK Telecom]

(Unit: in 100 millions of Won)

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount
Real Estate	SK Broadband Co., Ltd.	February 1, 2017	January 31, 2020	Namsan Office Building Lease Contract	63
Real Estate	Kyowon Kumon Corp.	August 22, 2017	September 20, 2017	Disposal Contract of idle lots in Euljiro 2, 18-9	18
Real Estate	Multiple	March 15, 2017	December 28, 2017	Contracts relating to land acquisitions (7)	82
			Subtotal		163

### [SK Broadband]

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

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<b>Counterparty</b>	<b>Contract Contents</b>	<b>Contract Period</b>	<b>Note</b>
Telecommunication service providers	Interconnection among telecommunication service providers		Automatically renewed for two years at a time unless specific amendments are requested
KEPCO	Provision of electric facilities	From Nov. 2016 to Nov. 2017  (Unless special reasons arise, the usage period will be renewed annually)	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2015 to Dec. 2017	Use of railway telecommunication conduit (Serviced areas to expand)
Busan Transportation Corporation	Use of telecommunication line conduits	From August 1, 2017 to July 31, 2019 (Renewed two year contract upon completing evaluation of usage unit price)	Use of railway telecommunication conduit
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (Renewal in progress, currently in discussion to decide usage unit price, future plans to enter into a contract)	Use of railway telecommunication conduit (Serviced areas to expand)
Gwangju City Railway	Use of telecommunication line conduits	From Sept. 2010 to Dec. 2012 (Renewal in progress, in the completion stage of transitioning to private network system, currently reviewing whether to renew contract at the end of 2016)	Use of railway telecommunication conduit (Service lease)

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

**[SK Communications]**

<b>Counterparty</b>	<b>Purpose</b>	<b>Contract Period</b>	<b>Contract Amount</b>
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 nine months ended September 30, 2017			Remarks
	For the year ended December 31, 2016			
	2017	2016	2015	
Raw material	982	659	1,267	
Labor	107,399	116,108	68,969	
Depreciation	105,770	125,827	147,577	
Commissioned service	50,759	54,714	37,001	
Others	39,565	53,785	67,888	
Total R&D costs	304,475	351,093	322,702	
Sales and administrative expenses	295,613	344,787	315,790	
Accounting				
Development expenses (Intangible assets)	8,862	6,306	6,912	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)	2.34%	2.05%	1.88%	

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**8. Other information relating to investment decisions**

**A. Trademark Policies**

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

**B. Business-related Intellectual Property**

**[SK Telecom]**

As of September 30, 2017, the Company holds 5,326 Korean-registered patents and 1,382 foreign-registered patents. The Company holds 810 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to constant change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

**[SK Broadband]**

As of September 30, 2017, SK Broadband holds 402 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

**[SK Planet]**

As of September 30, 2017, SK Planet held 2,450 registered patents, 126 registered design marks, 1,292 registered trademarks and eight copyrights (including those held jointly with other companies) in Korea. It also holds 153 U.S.-registered patents, 101 Chinese-registered patents, 73 Japanese-registered patents, 42 E.U.-registered patents (all including patents held jointly with other companies) and 363 registered trademarks, along with a number of other intellectual property rights, in other countries.

**[SK Communications]**

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

**C. Business-related Pollutants and Environmental Protection**

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

**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 September 30, 2017, December 31, 2016 and December 31, 2015 and for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016 and 2015. The Company's audited consolidated financial statements as of September 30, 2017 and December 31, 2016 and for the nine months ended September 30, 2017 and 2016, which are prepared in accordance with K-IFRS, are attached hereto.

	(Unit: in millions of Won except number of companies)		
	As of September 30, 2017	As of December 31, 2016	As of December 31, 2015
<b>Assets</b>			
Current Assets	6,008,289	5,996,628	5,160,242
Cash and Cash Equivalents	1,447,178	1,505,242	768,922
Accounts Receivable Trade, net	2,128,250	2,240,926	2,344,867
Accounts Receivable Other, net	1,004,635	1,121,444	673,739
Others	1,428,226	1,129,016	1,372,714
Non-Current Assets	25,915,537	25,301,035	23,421,145
Long-Term Investment Securities	833,103	828,521	1,207,226
Investments in Associates and Joint Ventures	8,967,630	7,404,323	6,896,293
Property and Equipment, net	9,601,584	10,374,212	10,371,256
Intangible Assets, net	3,658,195	3,776,354	2,304,784
Goodwill	1,949,682	1,932,452	1,908,590
Others	905,343	985,173	732,996
Total Assets	31,923,826	31,297,663	28,581,387
<b>Liabilities</b>			
Current Liabilities	6,387,736	6,444,099	5,256,493
Non-Current Liabilities	8,060,005	8,737,134	7,950,798
Total Liabilities	1,447,741	15,181,233	13,207,291
<b>Equity</b>			
Equity Attributable to Owners of the Parent Company	17,339,464	15,971,399	15,251,079
Share Capital	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	196,467	199,779	189,510
Retained Earnings	17,242,404	15,953,164	15,007,627
Reserves	(144,046)	(226,183)	9,303
Non-controlling Interests	136,621	145,031	123,017
Total Equity	17,476,085	16,116,430	15,374,096
Total Liabilities and Equity	31,923,826	31,297,663	28,581,387
Number of Companies Consolidated	39	38	37

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

	<b>For the nine months ended September 30, 2017</b>	<b>For the nine months ended September 30, 2016</b>	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
Operating Revenue	13,022,697	12,739,556	17,091,816	17,136,734
Operating Income	1,226,178	1,233,789	1,535,744	1,708,006
Profit Before Income Tax	2,476,697	1,532,047	2,096,139	2,035,365
Profit for the Period	1,996,959	1,185,401	1,660,101	1,515,885
Profit for the Period Attributable to Owners of the Parent Company	2,009,849	1,187,084	1,675,967	1,518,604
Profit for the Period Attributable to Non-controlling Interests	(12,890)	(1,683)	(15,866)	(2,719)
Basic and Diluted Earnings Per Share (Won)	28,345	16,693	23,497	20,988

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

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

	(Unit: in millions of Won)		
	As of September 30, 2017	As of December 31, 2016	As of December 31, 2015
<b>Assets</b>			
Current Assets	3,630,399	3,661,115	2,713,529
Cash and Cash Equivalents	901,921	874,350	431,666
Accounts Receivable Trade, net	1,548,543	1,594,504	1,528,751
Accounts Receivable Other, net	791,041	772,570	264,741
Others	388,894	419,691	488,371
Non-Current Assets	21,355,528	21,787,459	20,433,411
Long-Term Investment Securities	682,189	560,966	726,505
Investments in Subsidiaries and Associates	9,106,954	8,726,538	8,810,548
Property and Equipment, net	6,514,498	7,298,539	7,442,280
Intangible Assets, net	3,184,328	3,275,663	1,766,069
Goodwill	1,306,236	1,306,236	1,306,236
Others	561,323	619,517	381,773
Total Assets	24,985,927	25,448,574	23,146,940
<b>Liabilities</b>			
Current Liabilities	4,526,513	4,464,160	3,491,306
Non-Current Liabilities	5,634,660	6,727,460	5,876,174
Total Liabilities	10,161,173	11,191,620	9,367,480
<b>Equity</b>			
Share Capital	44,639	44,639	44,639
Capital Surplus and Other Capital Adjustments	371,760	371,481	369,446
Retained Earnings	14,365,499	13,902,627	13,418,603
Reserves	42,856	(61,793)	(53,228)
Total Equity	14,824,754	14,256,954	13,779,460
Total Liabilities and Equity	24,985,927	25,448,574	23,146,940

	(Unit: in millions of Won except per share amounts)			
	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
Operating Revenue	9,354,122	9,292,034	12,350,479	12,556,979
Operating Income	1,322,424	1,385,167	1,782,172	1,658,776
	1,427,160	1,252,179	1,562,782	1,469,444



Profit Before Income Tax				
Profit for the Period	1,180,971	990,933	1,217,274	1,106,761
Basic and Diluted Earnings Per Share (Won)	16,606	13,915	17,001	15,233

**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 nine months ended September 30, 2017**

**Allowance for Doubtful**

	<b>Gross amount</b>	<b>Accounts</b>	<b>Percentage</b>
Accounts receivable trade	2,390,322	248,020	10%
Loans	176,551	48,084	27%
Accounts receivable other	1,322,965	74,982	6%
Accrued income	4,999		0%
Guarantee deposits	292,836		0%
<b>Total</b>	<b>4,187,673</b>	<b>371,086</b>	<b>9%</b>

(Unit: in millions of Won)

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

**Allowance for Doubtful**

	<b>Gross amount</b>	<b>Accounts</b>	<b>Percentage</b>
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%
<b>Total</b>	<b>4,331,892</b>	<b>369,332</b>	<b>9%</b>

(Unit: in millions of Won)

**For the year ended December 31, 2015**

**Allowance for Doubtful**

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

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

(Unit: in millions of Won)

	<b>For the nine months ended September 30, 2017</b>	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
<b>Beginning balance</b>	369,332	344,016	328,191
Increase of allowance for doubtful accounts	24,371	78,132	75,773
Reversal of allowance for doubtful accounts			
Write-offs	(42,848)	(79,891)	(87,798)
Other	20,231	27,075	27,850
<b>Ending balance</b>	<b>371,086</b>	<b>369,332</b>	<b>344,016</b>

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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 September 30, 2017					
		Six months or less	From six months to one year	From one year to three years	More than three years	Total	
Accounts receivable	general	2,047,968	67,929	180,420	94,005	2,390,322	
Percentage		86%	3%	7%	4%	100%	

**C. Inventories**

## (1) Detailed Categories of Inventories

(Unit: in millions of Won)

Account Category	For the year ended		For the year
	For the nine months ended September 30, 2017	December 31, 2016	ended December 31, 2015
Merchandise	221,785	225,958	242,230
Goods in transit			
Other inventories	27,054	33,888	31,326
<b>Total</b>	248,839	259,846	273,556
Percentage of inventories to total assets			
[ Inventories / Total assets ]	0.78%	0.83%	0.96%
Inventory turnover	6.95	6.89	7.23

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

(2) Reporting of Inventories

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

**Table of Contents****D. Fair Value Measurement**

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

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

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

(As of September 30, 2017) (Unit: in millions of Won except percentages)

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond Series 57-2	March 3, 2008	March 3, 2018	200,000	Feb. 22, 2008	Shinhan Investment Corp.

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 400%
Restriction on Liens	Compliance Status	Compliant
	Key Term	The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year
	Compliance Status	Compliant
Restriction on Disposition of Assets	Key Term	Disposal of assets per fiscal year not to exceed 5 trillion won
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on September 8, 2017

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

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

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Submission of Compliance Certificate

Compliance Status

Submitted on September 8, 2017

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

Debt ratio no greater than 300%  
Compliant

Restriction on Liens

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 September 8, 2017

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



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Unsecured Bond 68-2	Series	Nov. 30, 2015	Nov. 30, 2025	100,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond 68-3	Series	Nov. 30, 2015	Nov. 30, 2035	70,000	Nov. 18, 2015	Korea Securities Finance Corp.
Unsecured Bond 69-1	Series	March 4, 2016	March 4, 2019	70,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond 69-2	Series	March 4, 2016	March 4, 2021	100,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond 69-3	Series	March 4, 2016	March 4, 2026	90,000	Feb. 22, 2016	Korea Securities Finance Corp.
Unsecured Bond 69-4	Series	March 4, 2016	March 4, 2036	80,000	Feb. 22, 2016	Korea Securities Finance Corp.

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 2 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on September 8, 2017

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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 [SK Broadband]	Key Term Compliance Status	Submitted on September 8, 2017

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

(As of September 30, 2017)

(Unit: in millions of Won except percentages)

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

Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 500% Compliant
Restriction on Liens	Key Term	The total amount of secured debt not to exceed 200% of share capital as of

	Compliance Status	the end of the previous fiscal year Compliant
Restriction on Disposition of Assets	Key Term Compliance Status	Disposal of assets per fiscal year not to exceed 10 trillion won Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on August 24, 2017

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

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

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

<b>Nine months ended September 30, 2017</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2016</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2015</b> KPMG Samjong Accounting Corp.
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**2. Audit Opinion (Consolidated)**

<b>Period</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
Nine months ended September 30, 2017	N/A	
Year ended December 31, 2016	Unqualified	N/A
Year ended December 31, 2015	Unqualified	N/A

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

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

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

Separate financial  
statements audit  
Consolidated  
financial  
statements audit  
English financial  
statements review  
and other audit  
task

Year ended December 31, 2015	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,320	18,127
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**Table of Contents****B. Non-Audit Services Contract with External Auditors**

(Unit: in millions of Won)

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

**4. Change of Independent Auditors**

Not applicable.

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

Omitted in quarterly reports in accordance with Korean disclosure rules.

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

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

			(As of September 30, 2017)
		<b>Non-executive</b>	
<b>Total number of</b>	<b>Inside director</b>	<b>director</b>	<b>Independent directors</b>
<b>persons</b>	Jung Ho Park	Dae Sik Cho	Jae Hoon Lee, Dae Shick Oh, Jae Hyeon Ahn, Jung Ho Ahn
6			

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

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



**Table of Contents****B. Significant Activities of the Board of Directors**

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
397th (the 1st meeting of 2017)	January 4, 2017	Approval of share exchange agreement with SK Communications	Approved as proposed
		Financial statements as of and for the year ended December 31, 2016	Approved as proposed
		Annual business report as of and for the year ended December 31, 2016	Approved as proposed
398th (the 2nd meeting of 2017)	February 2, 2017	Delegation of funding through long-term borrowings in 2017	Approved as proposed
		Lease contract with SK Broadband	Approved as proposed
		Approval of IT SM transactions in 2017	Approved as proposed
		Report of internal accounting management	
399th (the 3rd meeting of 2017)	February 23, 2017	Report for the period after the fourth quarter of 2016 Plan for the 33rd General Meeting of Shareholders	Approved as proposed
		Amendment to the regulations of the Board of Directors	Approved as proposed
	March 24, 2017	Report of internal accounting management Election of the chief executive officer	Approved as proposed

400th (the 4th meeting  of 2017)		Election of the chairman of the Board of Directors	Approved as proposed
		Election of committee members	Approved as proposed
		Transactions with SK Holdings in the second quarter of 2017	Approved as proposed
		Amendment to the regulations of the Board of Directors	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
		Payment for Employees Benefit Fund in 2017	Approved as proposed
401st (the 5th meeting  of 2017)	April 27, 2017	Payment of operating costs in 2017 for SUPEX Council	Approved as proposed
402nd (the 6th meeting  of 2017)	June 30, 2017	Report for the period after the first quarter of 2017 Transactions with SK Holdings in the third quarter of 2017	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
			Approved as proposed

Acquisition of shares of Happynarae Co., Ltd. Approved as proposed

Transfer of Public Cloud business Approved as proposed

Donation to Korea Foundation For Advanced Studies in 2017 Approved as proposed

Settlement of expenses between related parties in connection with contemplated joint R&D

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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
403rd (the 7th meeting of 2017)	July 17, 2017	Investment in investment company	Approved as proposed
404th (the 8th meeting of 2017)	July 28, 2017	Investment in SK China	Approved as proposed
		Transfer of SSD technology related to SK hynix	Approved as proposed
		Amendment to the regulations of the Audit Committee	Approved as proposed
		Payment of interim dividend	Approved as proposed
		Report on the statement of accounts for the first half year	
		Report for the period after the second quarter of 2017	
405th (the 9th meeting of 2017)	September 28,  2017	Subcontract with SK Holdings relating to the supply of AI network solutions to Indian company Bharti Airtel	Approved as proposed
		Transactions with SK Holdings in the fourth quarter of 2017	Approved as proposed
		Comprehensive share exchange with SK Telink	Approved as proposed
		Changes to 2017 wired/wireless network construction	Approved as proposed
		Transactions related to corporate bonds with SK Securities	Approved as proposed

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

### C. Committees within Board of Directors

#### (1) Committee structure (as of September 30, 2017)

##### (a) Compensation Review Committee

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

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

##### (b) Capex Review Committee

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

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

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## (c) Corporate Citizenship Committee

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

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

## (d) Independent Director Nomination Committee

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

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

## (e) Audit Committee

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

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

**2. Audit System**

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

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

Meeting	Date	Agenda	Approval
The 1st meeting of 2017	February 1, 2017	Evaluation of internal accounting management system operation	Approved as proposed
		Review of business and audit results for the second half of 2016 and business and audit plans for 2017	Approved as proposed
		Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	Approved as proposed
The 2nd meeting of 2017	February 22, 2017	Contract for payment of customer appreciation gifts in 2017	Approved as proposed
		Purchase of supplies from Happynarae Co., Ltd. Report on the IFRS audit of fiscal year 2016	Approved as proposed
		Report on review of 2016 internal accounting management system	Approved as proposed
		Agenda and document review for the 33rd General Meeting of Shareholders	Approved as proposed
		Auditor's report for fiscal year 2016	

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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
		Contract for maintenance services of optical cables in 2017	Approved as proposed
The 3rd meeting of 2017	March 23, 2017	Contract for maintenance services of transmission equipment in 2017	Approved as proposed
		Consulting for innovation in corporate social responsibility	Approved as proposed
		Election of the chairman of the Audit Committee	Approved as proposed
The 4th meeting of 2017	April 26, 2017	Remuneration for outside auditor for fiscal year 2017	Approved as proposed
		Outside auditor service plan for fiscal year 2017	Approved as proposed
The 5th meeting of 2017	June 29, 2017	Audit plan for fiscal year 2017 Plan for wired/wireless network construction for fiscal year 2017	Approved as proposed
The 6th meeting of 2017		Report on the external audit for the first half of fiscal year 2017	
	July 27, 2017	Review of business and audit results for the first half of 2017 and plans for the second half of 2017	

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

### **3. Shareholders Exercise of Voting Rights**

#### **A. Voting System and Exercise of Minority Shareholders Rights**



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

Articles of Incorporation	Description
Article 32(3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12 <sup>th</sup> Supplement to the Articles of Incorporation (Interim Regulation)	Article 32(3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.
Also, neither written or electronic voting system is applicable. Minority shareholder rights were not exercised during the relevant period.	

## VII. SHAREHOLDERS

### 1. Shareholdings of the Largest Shareholder and Related Persons

#### A. Shareholdings of the Largest Shareholder and Related Persons

(As of September 30, 2017)

Name	Relationship	Type of share	(Unit: in shares and percentages)			
			Number of shares owned and ownership ratio		Number of shares owned and ownership ratio	
			Beginning of Period	End of Period	Beginning of Period	End of Period
			shares	ratio	shares	ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Shin Won Chey	Officer of affiliated company	Common share	1,067	0.00	0	0.00
Dong Hyun Jang	Officer of affiliated company	Common share	251	0.00	251	0.00
Jung Ho Park	Officer of the Company	Common share	0	0.00	1,000	0.00
Myung Hyun Cho	Officer of affiliated company	Common share	60	0.00	0	0.00
Total		Common share	20,364,930	25.22	20,364,803	25.22

**Table of Contents****B. Overview of the Largest Shareholder**

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

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

Changes in shareholdings of the largest shareholder are as follows:

(As of September 30, 2017)

(Unit: in shares and percentages)

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

(Unit: in shares and percentages)

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

**B. Shareholder Distribution**

(As of September 30, 2017)

(Unit: in shares and percentages)

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

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

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

Types		September 2017	August 2017	July 2017	June 2017	May 2017	April 2017
<b>Common stock</b>	<b>Highest</b>	257,500	283,500	279,000	266,000	254,500	257,000
	<b>Lowest</b>	242,000	253,500	255,500	242,000	235,500	239,500
	<b>Average</b>	249,810	267,568	266,262	251,929	243,316	248,375
<b>Daily transaction volume</b>	<b>Highest</b>	307,053	240,410	272,229	404,959	383,752	450,303
	<b>Lowest</b>	86,092	53,846	93,703	108,575	102,115	73,361
<b>Monthly transaction volume</b>		3,455,291	3,214,025	3,576,523	4,669,531	4,238,668	3,040,692

**B. Foreign Securities Market**

		New York Stock Exchange					
		August					
Types		September 2017	2017	July 2017	June 2017	May 2017	April 2017
<b>Depository receipt</b>	<b>Highest</b>	24.85	27.88	27.51	25.89	25.12	25.31
	<b>Lowest</b>	23.57	25.27	24.82	23.93	23.14	23.59
	<b>Average</b>	24.27	26.33	26.19	24.77	23.96	24.35
<b>Daily transaction volume</b>	<b>Highest</b>	1,382,212	1,000,082	843,482	1,269,484	684,691	1,797,040
	<b>Lowest</b>	413,226	166,593	189,054	207,995	289,764	216,065
<b>Monthly transaction volume</b>		15,995,848	12,056,548	8,708,213	10,156,333	9,518,262	10,683,634

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

(As of September 30, 2017)

(Unit: in persons and millions of Won)

Business segment	Gender	Number of employees		Total	Average service year	Aggregate wage for	
		Employees without a fixed term of employment Part-time	Employees with a fixed term of employment Part-time			the first three months of 2017	Average wage per person
	Male	3,782	63	3,845	12.7	336,409	87
	Female	581	55	636	9.9	39,999	63
Total		4,363	118	4,481	12.3	376,408	84

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

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

(As of September 30, 2017)

(Unit: in millions of Won)

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

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

(As of September 30, 2017)

(Unit: in millions of Won)

Number of Directors	Aggregate Amount Paid	Amount Paid Per Director	Remarks
7	1,831	262	

**B-2. Amount by Classification**

(As of September 30, 2017)

(Unit: in millions of Won)

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

Inside Directors	3	1,588	529
Independent Directors	1	63	63
Audit Committee Members	3	180	60
Auditor			

**3. Individual Compensation of Directors**

Omitted in quarterly reports in accordance with Korean disclosure rules.

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

(As of September 30, 2017) (Unit: in millions of Won)

Classification	Number of Directors	Fair Value of Stock Options	Remarks
Inside Directors	3	279	
Independent Directors	1		
Audit Committee Members	3		
Total	7	279	

\* See note 18 of the notes to the Company's consolidated financial statements attached hereto for more information regarding the calculation method for the fair value of stock options.

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

**B. Stock Options Granted and Exercised**

(As of September 30, 2017) (Unit: in Won and shares)

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

\* As of September 30, 2017, the closing price is Won 255,000.



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

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details		Accrued interest	Remarks
			Beginning	Increase/Decrease		
SK Wyverns	Affiliate	Long-term and short-term loans	814		814	28

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

(As of September 30, 2017)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Type of investment	Details Change			Ending	Remarks
			Beginning	Increase	Decrease		
SK Communications	Affiliate	Equity	82,857	43,329		126,185	Share exchange
Iriver	Affiliate	Equity	54,503	25,000		79,503	
SK China Company Ltd.	Overseas Affiliate	Equity	47,830	554,240	(1,094)	600,976	
SK Property Mgmt. Ltd.	Overseas Affiliate	Equity	145,656		(145,656)		
SK Industrial Development China Co., Ltd.	Overseas Affiliate	Equity	83,691		(83,691)		
SK Investment Management Co. Ltd.	Overseas Affiliate	Equity		1,094		1,094	

**Purchase and Disposition of Securities**

(As of September 30, 2017)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Type of Transaction	Transaction Date	Object of Transaction	Amount	Valuation Method

**Table of Contents****Transfer of Assets**

(As of September 30, 2017)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Transferred Assets	Purpose of Transfer	Details		Remarks
				Date of Transfer	Purchase Price	
SK TechX	Affiliate	Computer software	Sale of assets	January 31, 2017	552	
SK Holdings	Affiliate	Equipment / Computer software	Sale of assets	July 25, 2017	544	
SK hynix	Affiliate	Machines / Equipment / Computer software	Sale of assets	August 16, 2017	320	
PS&Marketing	Affiliate	Equipment	Sale of assets	September 29, 2017	105	
<b>Total</b>					<b>1,521</b>	

**3. Transactions with the Largest Shareholder**

None.

**4. Related Party Transactions**

See note 28 of the notes to the Company's consolidated financial statements attached hereto for more information regarding related party transactions.

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

Name (Corporate name)	Relationship	Account category	Change details			Accrued Ending interest	Remarks
			Beginning	Increase	Decrease		
Baekmajang and others	Agency	Long-term and short-term loans	65,148	157,745	(148,723)	74,170	
Daehan Kanggun BCN Inc.	Investee	Long-term loans	22,147			22,147	

(Unit: in millions of Won)

**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**

<b>Date</b>	<b>Agenda</b>	<b>Resolution</b>
31st Fiscal Year Meeting of Shareholders (March 20, 2015)	1. Approval of the financial statements for the year ended December 31, 2014	Approved (Cash dividend, Won 8,400 per share)
	2. Amendments to Articles of Incorporation	Approved
	3. Election of directors	Approved (Dong Hyun Jang)
	Election of an inside director	Approved (Jae Hoon Lee)
	4. Election of an independent director as Audit Committee member	Approved (Won 12 billion)
32nd Fiscal Year Meeting of Shareholders (March 18, 2016)	5. Approval of remuneration limit for directors	
	1. Approval of the financial statements for the year ended December 31, 2015	Approved (Cash dividend, Won 9,000 per share)
	2. Amendments to Articles of Incorporation	Approved
	3. Election of directors	Approved (Dae Sik Cho)

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

Approved (Jae Hoon Lee)

Election of an independent director

Approved (Jae Hyeon Ahn)

4. Election of an independent director as  
Audit Committee member

Approved (Won 12 billion)

Election of an independent director as  
Audit Committee member

Approved

Election of an independent director as  
Audit Committee member

5. Approval of remuneration limit for  
directors

6. Award of stock options

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**2. Contingent Liabilities**

[SK Telecom]

**A. Material Legal Proceedings**

(1) Claim for copyright license fees regarding Coloring services

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

**B. Other Contingent Liabilities**

None.

[SK Broadband]

**A. Material Legal Proceedings**

As of September 30, 2017, there were eighteen pending cases proceeding with SK Broadband as the defendant and the aggregate amount of the claims was Won 224 million. The Company does not believe that the outcome of any of the proceedings will have a material effect on the Company s financial statements.

**B. Other Contingent Liabilities**

(1) Pledged assets and covenants

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

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

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 300 million to support employees funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 5,606 million to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

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

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 22,969 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 September 30, 2017, there were six pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claims was Won 3,342 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.

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

## (1) Borrowings

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

(Unit: in thousands of Won)			
<b>Financial Institution</b>	<b>Borrowing</b>	<b>Limit Amount</b>	<b>Borrowed Amount</b>
KEB Hana Bank	Overdrafts	10,000,000	
	Corporate credit card	65,000,000	37,061,442
	Electronic accounts receivable bond	5,000,000	366,411
Shinhan Bank	Overdrafts	15,000,000	
	Electronic accounts receivable bond	15,000,000	
Nonghyup Bank	Corporate credit card	5,000,000	
<b>Total</b>		<b>115,000,000</b>	<b>37,427,583</b>

## (2) Payment guarantees

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

(Unit: in thousands of Won)			
<b>Recipient</b>	<b>Financial institution</b>	<b>Guarantee</b>	<b>Amount</b>
SK Planet	Seoul Guarantee Insurance Company	Payment guarantee on e-commerce business	24,312,317
		Guarantee fulfillment of contractual obligations	4,957,684
	KEB Hana Bank	Other guarantees	707,000

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

(Unit: in thousands of Won)			
<b>Recipient</b>	<b>Financial institution</b>	<b>Guarantee</b>	<b>Amount</b>
Celcom Planet Sdn Bhd	Citibank Berhad	Payment guarantee for overseas business	12,240,000

\* Existing Indonesia payment guarantee terminated in August  
[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.

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

Seoul Guarantee Insurance Company and KB Insurance have provided performance guarantees of Won 12,784,132 thousand and Won 4,195,000 thousand, respectively, to SK Telink in connection with the performance of and potential losses from certain contracts.

SK Telink has provided a performance guarantee of up to Won 498,957 thousand to business partners through Seoul Guarantee Insurance Company.

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

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

As of September 30, 2017, the aggregate amount of pending claims against SK Communications was Won 1,064 million. There were twelve pending cases relating to a leak of personal information of subscribers of NATE at various appellate courts and the Supreme Court in Korea.

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

**B. Other Contingent Liabilities**

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

		(Unit: in thousands of Won)
<b>Financial Institution</b>	<b>Guarantee</b>	<b>Amount</b>
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
	Provisional deposit guarantee insurance for bonds	10,000
	Provisional attachment of real estate	118,000
	Total	828,000

**[Iriver]****A. Material Legal Proceedings**

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

**B. Other Contingent Liabilities**

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

<b>Financial Institution</b>	<b>Borrowing</b>	<b>(Unit: in thousands of Won)</b>	
		<b>Limit Amount</b>	<b>Borrowed Amount</b>
Kookmin Bank	Trade finance	1,000,000	

(2) Seoul Guarantee Insurance Company has provided performance guarantees of Won 49 million to Iriver in connection with the performance of contracts, advance payment guarantee and defective guarantee.

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(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 nine months ended September 30, 2017 and September 30, 2016 were Won 1,666 million and Won 266 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 in relation to its loans.

**3. Status of Sanctions, etc.**

[SK Telecom]

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 21, 2017, the Korea Communications Commission imposed on the Company a fine of Won 794 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to the

Company's promotions targeting foreigners. The Company paid the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order.

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**[SK Broadband]**

(1) Violation of the Telecommunications Business Act

Date: May 28, 2015

Sanction: SK Broadband received a correctional order (corrective measures for damaging users interests through misleading and exaggerated advertisement of bundled media and telecommunications products).

Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by inducing subscribers through misleading and exaggerated advertisements.

Status of Implementation: Established plans to manage distribution network related to the misleading and exaggerated advertisements.

Company's Plan: Make an official announcement about having received the correctional order and improve operational procedures.

(2) Violation of the Telecommunications Business Act

Date: December 10, 2015

Sanction: SK Broadband received a correctional order (corrective measures for damaging users interests through misleading and exaggerated advertisement of bundled media and telecommunications products).

Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by inducing subscribers through misleading and exaggerated advertisements.

Status of Implementation: Made an official announcement about having received the correctional order and paid the fine.



Company's Plan: Make an official announcement about having received the correctional order

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

Date: August 2, 2016

Sanction: SK Broadband was imposed a fine of Won 3.8 million for breaching of restrictions on transmission of advertising information for profit.

Reason and the Relevant Law: Violated Articles 50-2, 50-4, 50-6 and 76 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. and Article 74 of its Enforcement Decree by transmitting advertising information for profits to users who express their intention to refuse to receive the information.

Status of Implementation: Implemented improvements to spam related activity and paid the fine.

Company's Plan: Implement procedures to prevent recurrence of spam.

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

Date: September 2, 2016

Sanction: SK Broadband was imposed a fine of Won 3 million for breaching of restrictions on rendering information transmission services.

Reason and the Relevant Law: Violated Articles 50-4 and 76 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. and Article 74 of its Enforcement Decree by lacking of management and supervision standards in merchants involved in spamming and by not putting any sanctions on them.

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Status of Implementation: Implemented improvements to spam related activity and paid the fine.

Company's Plan: Implement procedures to prevent recurrence of spam.

(5) Violation of the Telecommunications Business Act

Date: September 27, 2016

Sanction: SK Broadband was imposed a fine of Won 6.4 million.

Reason and the Relevant Law: Violated Article 84-2 Paragraph 1, 104-2 Paragraph 5 of the Telecommunications Business Act and Article 66 of its Enforcement Decree by not having performed technological measures to prevent caller ID manipulations.

Status of Implementation: Paid the fine (September 27, 2016).

Company's Plan: Implement technological measures to prevent caller ID manipulations through institutional improvement.

(6) Violation of the Telecommunications Business Act

Date: December 6, 2016

Sanction: SK Broadband received a correctional order (corrective measures for damaging users interests in relation to high speed internet products and gifts).

Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by providing telecommunications services in a manner different from the terms and conditions of use.

Status of Implementation: Made an official announcement about having received the correctional order and paid the fine.

Company's Plan: Implement the correctional order and pay the fine.

(7) Violation of the Internet Multimedia Broadcast Services Act

Date: December 21, 2016

Sanction: SK Broadband received a correctional order (corrective measures for violating prohibited acts under the Internet Multimedia Broadcast Services Act).

Reason and the Relevant Law: Violated Article 17-1 Paragraph 2 of the Internet Multimedia Broadcast Services Act and Article 15 of its Enforcement Decree by performing prohibited acts which undermine or are likely to undermine the fair competition of service providers or the interests of users.

Status of Implementation: Ceased the prohibited practice and paid the fine (Plan to make an official announcement about having received the correctional order and improve operating procedures).

Company's Plan: Improve operation procedures in relation to the violation of prohibited acts.

(8) 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.

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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.

**[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.

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

Date: April 10, 2017

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

Reason and the Relevant Law: Violated Article 28 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. (Protective Measures for Personal Information)

Company's Plan: Implemented an additional authentication procedure (OTP authentication) to the merchant management system / implemented additional internal training and improved management to prevent its recurrence.

**[SK Telink]**

- (1) Violation of the Telecommunications Business Act

Date: August 21, 2015

Subject: SK Telink

Sanction: SK Telink received a correctional order and a fine of Won 480 million.

Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 and Article 50-2 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by failing to inform or giving false information about key terms of the contract and failing to deliver usage contract

Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in a newspaper (October 2015), improved operating procedures related to recruitment of users through phone solicitation calls and paid the fine (October 2015).

Company's Plan: Accurately inform consumers of key terms of the contract and distribute usage contract by mail after entering into contract.

(2) Violation of the Telecommunications Business Act

Date: February 4, 2016

Sanction: SK Telink received a correctional order and a fine of Won 49 million.

Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by transferring account names of cell phone lines without subscribers' consent, changing phone numbers upon such transfer of account names, subscribing users to cell phone lines that exceed the maximum number of cell phone lines determined in the user agreement, opening accounts using a third party's name and transferring ownership of and reselling the account, changing account names with fabricated names of foreigners and changing accounts of cell phone lines owned by foreigners whose residency period in Korea has expired.

Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in the press (May 2016) and paid the fine (May 2016).

Company's Plan: Improve operating procedures to prevent its recurrence.

**Table of Contents****4. Important Matters That Occurred After September 30, 2017**  
**[SK Telink]**

The extraordinary general meeting of shareholders held on November 9, 2017 approved to reduce its capital (through a cancellation of treasury shares) and to accept the cash consideration for shares in a comprehensive exchange of shares with SK Telecom.

## (1) Approval of reduction in capital (through a cancellation of treasury shares)

SK Telink resolved to reduce its capital through a cancellation of treasury shares in order to become a wholly-owned subsidiary of SK Telecom.

Type of capital reduction and amount: 84,103 registered common shares (par value of Won 5,000 per share)

Capital and issued shares before and after the capital reduction

<b>Category</b>	<b>Before capital reduction</b>	<b>After capital reduction</b>
Capital	Won 7,583,650,000	Won 7,163,135,000
Issued Shares	1,516,730 shares	1,432,627 shares

## (2) Approval of comprehensive exchange of shares

SK Telink 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.

(ø84,103 shares of SK Telink cancelled before the date of share exchange were excluded from the above transaction.)

Share exchange ratio: Shareholders of one common share of SK Telink were allotted Won 270,583.  
(Share exchange ratio of SK Telecom : SK Telink = 1 : 1.0687714)

Date of Contract: September 29, 2017

Meeting of board of directors for approval of the share exchange: November 9, 2017



Date of share exchange: December 14, 2017

øSee Report on Important Business Matters (Decision on Capital Reduction and Share Exchange) filed on September 29, 2017 by SK Telink for more information.

**[Iriver]**

Pursuant to the resolution of its board of directors on July 17, 2017, Iriver announced its merger with SM Mobile Communications Co., Ltd., with Iriver as the surviving entity, which merger was approved at the extraordinary meeting of shareholders held on August 29, 2017. The merger was completed on October 10, 2017. All the necessary legal action has been taken in connection with the merger, and all property of SM Mobile Communications Co., Ltd. has been transferred to Iriver.

**5. 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/ Sung Hyung Lee  
(Signature)

Name: Sung Hyung Lee  
Title: Senior Vice President

Date: December 14, 2017

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**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**September 30, 2017 and 2016**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of September 30, 2017, the related condensed separate statements of income and comprehensive income for the three and nine-month periods ended September 30, 2017 and 2016, the condensed separate statements of changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditors' responsibility**

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

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

### **Conclusion**

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

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**Other matters**

The separate statement of financial position of the Company as of December 31, 2016, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 22, 2017, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2016, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

November 6, 2017

This report is effective as of November 6, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of September 30, 2017 and December 31, 2016

<i>(In millions of won)</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	23,24	901,921	874,350
Short-term financial instruments	23,24	94,000	95,000
Short-term investment securities	5,23,24	47,402	97,340
Accounts receivable trade, net	4,23,24,25	1,548,543	1,594,504
Short-term loans, net	4,23,24,25	65,827	54,143
Accounts receivable other, net	4,23,24,25,26	791,041	772,570
Prepaid expenses		113,603	107,989
Short-term derivative financial assets	13,23,24	21,105	
Inventories, net		28,154	32,479
Advance payments and other	4,23,24	18,803	32,740
<b>Total Current Assets</b>		<b>3,630,399</b>	<b>3,661,115</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	23,24	382	102
Long-term investment securities	5,23,24	682,189	560,966
Investments in subsidiaries, associates and joint ventures	6	9,106,954	8,726,538
Property and equipment, net	7,25	6,514,498	7,298,539
Goodwill		1,306,236	1,306,236
Intangible assets, net	8	3,184,328	3,275,663
Long-term loans, net	4,23,24,25	8,407	11,160
Long-term accounts receivable - other	4,23,24,25,26	240,750	147,139
Long-term prepaid expenses		26,175	27,918
Guarantee deposits	4,23,24,25	168,395	173,287
Long-term derivative financial assets	13,23,24	73,055	176,465
Deferred tax assets	21	43,910	58,410
Defined benefit assets	12		24,787
Other non-current assets		249	249
<b>Total Non-Current Assets</b>		<b>21,355,528</b>	<b>21,787,459</b>
<b>Total Assets</b>		<b>24,985,927</b>	<b>25,448,574</b>

*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 September 30, 2017 and December 31, 2016

<i>(In millions of won)</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Liabilities and Shareholders Equity</b>			
<b>Current Liabilities:</b>			
Current installments of long-term debt, net	9,23,24	1,373,789	628,868
Current installments of long-term payables - other	10,23,24	300,464	301,773
Accounts payable - other	23,24,25	1,147,320	1,546,252
Withholdings	23,24	577,676	642,582
Accrued expenses	23,24	749,816	663,918
Income tax payable	21	179,740	461,999
Unearned revenue		1,114	1,360
Derivative financial liabilities	13,23,24	62,403	86,950
Provisions	11	60,177	59,027
Receipts in advance		74,014	71,431
<b>Total Current Liabilities</b>		<b>4,526,513</b>	<b>4,464,160</b>
<b>Non-Current Liabilities:</b>			
Debentures, excluding current installments, net	9,23,24	4,187,471	4,991,067
Long-term borrowings, excluding current installments, net	9,23,24	51,884	61,416
Long-term payables - other	10,23,24	1,322,936	1,602,943
Long-term unearned revenue		1,796	2,389
Defined benefit liabilities	12	10,211	
Long-term provisions	11	16,468	21,493
Other non-current liabilities	23,24	43,894	48,152
<b>Total Non-Current Liabilities</b>		<b>5,634,660</b>	<b>6,727,460</b>
<b>Total Liabilities</b>		<b>10,161,173</b>	<b>11,191,620</b>
<b>Shareholders Equity:</b>			
Share capital	1,14	44,639	44,639
Capital surplus and others	14,15	371,760	371,481
Retained earnings	16	14,365,499	13,902,627
Reserves	17	42,856	(61,793)
<b>Total Shareholders Equity</b>		<b>14,824,754</b>	<b>14,256,954</b>
<b>Total Liabilities and Shareholders Equity</b>		<b>24,985,927</b>	<b>25,448,574</b>

*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 nine-month periods ended September 30, 2017 and 2016

*(In millions of won except for per share data)*

		September 30, 2017		September 30, 2016	
		Three-month	Nine-month	Three-month	Nine-month
	Note	period	period	period	period
		ended	ended	ended	ended
<b>Operating revenue:</b>	25				
Revenue		3,156,536	9,354,122	3,101,785	9,292,034
<b>Operating expenses:</b>	25				
Labor		152,635	461,444	148,642	483,459
Commissions		1,242,501	3,636,624	1,144,725	3,503,044
Depreciation and amortization		593,341	1,765,653	556,757	1,646,938
Network interconnection		161,691	470,650	192,978	575,451
Leased line		73,726	220,470	87,472	268,026
Advertising		37,489	100,648	39,401	115,007
Rent		110,106	331,407	105,151	317,019
Cost of products that have been resold		132,890	398,966	136,497	379,523
Others	18	231,477	645,836	213,051	618,400
		2,735,856	8,031,698	2,624,674	7,906,867
<b>Operating profit</b>		<b>420,680</b>	<b>1,322,424</b>	<b>477,111</b>	<b>1,385,167</b>
Finance income	20	23,357	169,776	37,080	164,842
Finance costs	20	(64,288)	(204,045)	(70,846)	(194,421)
Other non-operating income	19	5,945	13,315	6,739	44,067
Other non-operating expenses	19	(32,803)	(70,311)	(44,035)	(99,858)
Gain (loss) on investments in subsidiaries and associates	6	211,306	196,001		(47,618)
<b>Profit before income tax</b>		<b>564,197</b>	<b>1,427,160</b>	<b>406,049</b>	<b>1,252,179</b>
Income tax expense	21	85,482	246,189	81,466	261,246
<b>Profit for the period</b>		<b>478,715</b>	<b>1,180,971</b>	<b>324,583</b>	<b>990,933</b>
<b>Earnings per share:</b>	22				
Basic and diluted earnings per share (in won)		6,780	16,606	4,597	13,915

*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 nine-month periods ended September 30, 2017 and 2016

*(In millions of won)*

		September 30, 2017		September 30, 2016	
		Three-month	Nine-month	Three-month	Nine-month
	Note	period	period	period	period
		ended	ended	ended	ended
<b>Profit for the period</b>		<b>478,715</b>	<b>1,180,971</b>	<b>324,583</b>	<b>990,933</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will never be reclassified to profit or loss, net of taxes:</b>					
Remeasurement of defined benefit liabilities	12	2,784	(3,588)	15	(9,070)
<b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b>					
Net change in unrealized fair value of available-for-sale financial assets	17	(5,412)	93,935	48,902	64,704
Net change in unrealized fair value of derivatives	13,17	4,910	10,714	(7,677)	(15,518)
<b>Other comprehensive income for the period, net of taxes</b>		<b>2,282</b>	<b>101,061</b>	<b>41,240</b>	<b>40,116</b>
<b>Total comprehensive income</b>		<b>480,997</b>	<b>1,282,032</b>	<b>365,823</b>	<b>1,031,049</b>

*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 nine-month periods ended September 30, 2017 and 2016

	Note	Capital surplus and others					Total	Retained earnings	Reserves	Total
		Share capital	Paid-in surplus	Treasury stock	Hybrid bond	Share option				
January 1, 2016		44,639	2,915,887	(2,260,626)	398,518	(684,333)	369,446	13,418,603	(53,228)	13,365,375
Comprehensive income								990,933		
Disposals of equity investments	12,13,17							(9,070)	49,186	
Other comprehensive income								981,863	49,186	1,031,049
Changes with owners:										
Dividends								(635,482)		
Share-based compensation								(70,610)		
Combination of entities										
Non-control interest						2,035	2,035			
Hybrid bond								(8,420)		
Other						2,035	2,035	(714,512)		
September 30, 2016		44,639	2,915,887	(2,260,626)	398,518	(682,298)	371,481	13,685,954	(4,042)	13,379,222
January 1, 2017		44,639	2,915,887	(2,260,626)	398,518	(682,298)	371,481	13,902,627	(61,793)	14,000,036
Comprehensive income								1,180,971		
Disposals of equity investments	12,13,17							(3,588)	104,649	
Other comprehensive income								1,177,383	104,649	1,282,032
Changes with owners:										
Dividends								(635,482)		
Share-based compensation								(70,609)		
Combination of entities						279	279			
Hybrid bond								(8,420)		
Other						279	279	(714,511)		

September 30,

44,639 2,915,887 (2,260,626) 398,518 279 (682,298) 371,760 14,365,499 42,856 14

*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 nine-month periods ended September 30, 2017 and 2016

<i>(In millions of won)</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities:			
Profit for the period		1,180,971	990,933
Adjustments for income and expenses	27	1,989,161	2,157,931
Changes in assets and liabilities related to operating activities	27	(99,586)	(482,456)
Sub-total		3,070,546	2,666,408
Interest received		36,934	19,194
Dividends received		101,256	113,024
Interest paid		(133,346)	(143,675)
Income tax paid		(546,213)	(365,503)
<b>Net cash provided by operating activities</b>		<b>2,529,177</b>	<b>2,289,448</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term investment securities, net		50,000	
Decrease in short-term financial instruments, net		1,000	15,000
Collection of short-term loans		148,723	137,422
Proceeds from disposal of long-term investment securities		14,253	30,832
Increase in cash due to business combination			360
Proceeds from disposal of property and equipment		17,147	8,731
Proceeds from disposal of intangible assets		3,490	2,595
Sub-total		234,613	194,940
Cash outflows for investing activities:			
Increase in short-term investment securities, net			(110,000)
Increase in long-term financial instruments, net			(40)
Increase in short-term loans		(157,745)	(148,085)
Acquisition of long-term investment securities		(11,048)	(19,210)
Acquisition of investments in subsidiaries and associates		(184,414)	(63,330)
Acquisition of property and equipment		(1,331,694)	(899,627)
Acquisition of intangible assets		(23,987)	(364,120)
Sub-total		(1,708,888)	(1,604,412)
<b>Net cash used in investing activities</b>		<b>(1,474,275)</b>	<b>(1,409,472)</b>



*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 nine-month periods ended September 30, 2017 and 2016

<i>(In millions of won)</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>Cash flows from financing activities:</b>			
Cash inflows from financing activities:			
Proceeds from issuance of debentures		368,456	607,474
Sub-total		368,456	607,474
Cash outflows for financing activities:			
Decrease in short-term borrowings, net			(230,000)
Repayments of long-term borrowings		(6,407)	(6,407)
Repayments of long-term accounts payable-other		(302,867)	(120,718)
Repayments of debentures		(349,119)	(520,000)
Payments of cash dividends		(706,091)	(706,092)
Payments of interest on hybrid bond		(8,420)	(8,420)
Cash outflows from transactions of derivatives		(22,884)	(144)
Sub-total		(1,395,788)	(1,591,781)
<b>Net cash used in financing activities</b>		<b>(1,027,332)</b>	<b>(984,307)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>27,570</b>	<b>(104,331)</b>
Cash and cash equivalents at beginning of the period		874,350	431,666
Effects of exchange rate changes on cash and cash equivalents		1	(446)
<b>Cash and cash equivalents at end of the period</b>		<b>901,921</b>	<b>326,889</b>

*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 nine-month periods ended September 30, 2017 and 2016

**1. Reporting Entity**

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

The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of September 30, 2017, the Company s total issued shares are held by the following shareholders:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority shareholders	50,245,708	62.23
Treasury shares	10,136,551	12.55
Total number of shares	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, 2016. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

## (2) Use of estimates and judgments

1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2016.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

**2. Basis of Preparation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

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

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

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

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

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

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

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

Information about assumptions used for fair value measurements is included in Note 24.



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

**3. Significant Accounting Policies**

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

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

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

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

The Company currently plans to apply K-IFRS No.1115 in the period beginning on January 1, 2018. The Company is in the process of designing, implementing and enhancing its accounting system and related controls based on the understanding of the revenue stream of the Company with the assistance of external information technology and accounting specialists. The Company is assessing the impact of the adoption of K-IFRS No. 1115 on its separate financial statements plans to complete the assessment by December 31, 2017. The assessment results will be disclosed in its annual financial statements for the year ending December 31, 2017. As of September 30, 2017, there have been no material changes related to the Company's plan for the adoption of K-IFRS No. 1115 which was disclosed in the Company's separate financial statements as of December 31, 2016.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

**4. Trade and Other Receivables**

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

*(In millions of won)*

	<b>Gross amount</b>	<b>September 30, 2017 Allowances for doubtful accounts</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable - trade	1,666,752	(118,209)	1,548,543
Short-term loans	66,492	(665)	65,827
Accounts receivable - other	845,563	(54,522)	791,041
Accrued income	654		654
	2,579,461	(173,396)	2,406,065
<b>Non-current assets:</b>			
Long-term loans	49,527	(41,120)	8,407
Long-term accounts receivable - other	240,750		240,750
Guarantee deposits	168,395		168,395
	458,672	(41,120)	417,552
	3,038,133	(214,516)	2,823,617

*(In millions of won)*

	<b>Gross amount</b>	<b>December 31, 2016 Allowances for doubtful accounts</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable - trade	1,713,531	(119,027)	1,594,504
Short-term loans	54,690	(547)	54,143
Accounts receivable - other	830,675	(58,105)	772,570
Accrued income	460		460
	2,599,356	(177,679)	2,421,677
<b>Non-current assets:</b>			
Long-term loans	52,308	(41,148)	11,160



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Long-term accounts receivable - other	147,139		147,139
Guarantee deposits	173,287		173,287
	372,734	(41,148)	331,586
	2,972,090	(218,827)	2,753,263

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SK TELECOM CO., LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

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

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

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Balance at January 1	218,827	204,677
Bad debt expense	10,581	21,807
Write-offs	(32,149)	(23,102)
Collection of receivables previously written-off	17,257	14,490
Balance at September 30	214,516	217,872

**5. Investment Securities**

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

<i>(In millions of won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Beneficiary certificates	47,402	97,340

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

<i>(In millions of won)</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Equity securities:</b>		
Marketable equity securities	545,333	421,846
Unlisted equity securities	78,066	78,198

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Equity investments	57,890	50,633
	681,289	550,677
<b>Debt securities:</b>		
Investment bonds(*)	900	10,289
	682,189	560,966

(\*) During the nine-month period ended September 30, 2017, the Company disposed of the convertible bonds issued by IRIVER LIMITED, whose carrying amount was 7,359 million as of December 31, 2016.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

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

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

*(In millions of won)*

	September 30, 2017	December 31, 2016
Investments in subsidiaries	4,400,790	4,345,956
Investments in associates and joint ventures	4,706,164	4,380,582
	9,106,954	8,726,538

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

<i>(In millions of won, except for share data)</i>	September 30, 2017			December 31, 2016
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
SK Telink Co., Ltd.(*1)	1,302,239	85.9	208,707	208,707
SK Broadband Co., Ltd.	298,460,212	100.0	1,870,582	1,870,582
SK Communications Co., Ltd.(*2)	43,427,530	100.0	126,185	82,857
PS&Marketing Corporation	66,000,000	100.0	313,934	313,934
SERVICEACE Co., Ltd.	4,385,400	100.0	21,927	21,927
SERVICE TOP Co., Ltd.	2,856,200	100.0	14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0	15,000	15,000
SK Planet Co., Ltd.	57,338,266	98.1	1,298,237	1,298,237
IRIVER LIMITED(*3,4)	19,901,287	45.9	79,503	54,503
SK Telecom China Holdings Co., Ltd.		100.0	38,652	38,652
SKT Vietnam PTE. Ltd.	180,476,700	73.3	2,364	2,364
SKT Americas, Inc.	122	100.0	45,701	45,701
YTK Investment Ltd.(*5)		100.0	3,388	18,693
Atlas Investment		100.0	84,495	82,684
SK Global Healthcare Business Group Ltd.		100.0	39,649	39,649
Entrix Co., Ltd.	4,157,000	100.0	27,628	27,628

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SK techx Co., Ltd.	6,323,905	100.0	128,371	128,371
One Store Co., Ltd.	10,409,600	65.5	82,186	82,186
			4,400,790	4,345,956

- (\*1) On September 28, 2017, the board of directors of the Company resolved to acquire the shares of SK Telink Co., Ltd. held by all of the other shareholders of SK Telink Co., Ltd. on December 14, 2017 at 35,281 million in cash ( 270,583 per share).
- (\*2) On November 24, 2016, the board of directors of the Company resolved to acquire all of the shares of SK Communications Co., Ltd. held by the other shareholders of SK Communications Co., Ltd. on February 7, 2017 at 2,814 per share in cash. The Company paid 43,328 million in cash and the Company holds wholly owns SK Communications Co., Ltd. as of September 30, 2017.
- (\*3) Although the Company has less than 50% of the voting rights of IRIVER LIMITED, the Company is considered to have control over IRIVER LIMITED since the Company holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

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

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

(\*4) During the nine-month period ended September 30, 2017, the Company acquired 4,699,248 shares of IRIVER LIMITED at 25,000 million by paid-in capital increase, and, as a result, the Company's ownership interest of IRIVER LIMITED has changed during the nine-month period ended September 30, 2017.

(\*5) Impairment loss amounting to 15,305 million was recognized during the nine-month period ended September 30, 2017.

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

*(In millions of won, except for share data)*

	September 30, 2017			December 31, 2016
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
<b>Investments in associates:</b>				
SK China Company Ltd.(*1)	10,928,921	27.3	600,976	47,830
HappyNarae Co., Ltd.(*2)	720,000	45.0	12,939	12,250
Korea IT Fund(*3)	190	63.3	220,957	220,957
Wave City Development Co., Ltd.(*4)	393,460	19.1	1,532	1,532
KEB HanaCard Co., Ltd.(*4)	39,902,323	15.0	253,739	253,739
Daehan Kanggun BcN Co., Ltd.	1,675,124	29.0	353	353
NanoEnTek, Inc.	6,960,445	28.5	47,958	47,958
SK Industrial Development China Co., Ltd.(*1)				83,691
SK Technology Innovation Company	14,700	49.0	45,864	45,864
SK hynix Inc.	146,100,000	20.1	3,374,725	3,374,725
SK MENA Investment B.V.	9,772,686	32.1	14,485	14,485
SK Latin America Investment S.A.	9,448,937	32.1	14,243	14,243
SKY Property Mgmt. Ltd.(*1)				145,656
SK USA, Inc. and others			82,917	81,823

4,670,688 4,345,106

**Investment in joint venture:**

Finnq Co., Ltd.(*5)	4,900,000	49.0	24,580	24,580
12CM GLOBAL PTE. LTD.(*5)	1,007,143	62.7	10,896	10,896
			35,476	35,476
			4,706,164	4,380,582

(\*1) During the nine-month period ended September 30, 2017, the Company contributed its shares in SKY Property Mgmt. Ltd. and SK Industrial Development China Co. Ltd., both the equity method investees of the Company to SK China Company Ltd., and participated in SK China Company Ltd.'s rights issue which resulted in the Company's acquiring 8,101,884 and 2,107,037 shares of SK China Company Ltd., respectively. In connection with the contributions, the Company recognized disposal gains of 211,307 million for the nine-month period ended September 30, 2017.

(\*2) The Company acquired 40,000 shares of HappyNarae Co., Ltd. at 17,212 per share during the nine-month period ended September 30, 2017.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

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

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

(\*3) 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.

(\*4) 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.

(\*5) These investments were classified as investment in joint venture as the Company has joint control pursuant to the agreement with the other shareholders.

**7. Property and Equipment**

Details of the changes in property and equipment for the nine-month periods ended September 30, 2017 and 2016 are as follows:

(In millions of won)

	For the nine-month period ended September 30, 2017					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	506,786	2,935	(4,406)	10,380		515,695
Buildings	557,021	179	(459)	18,562	(27,559)	547,744
Structures	357,065	13,845	(74)	2,679	(26,183)	347,332
Machinery	4,781,985	75,297	(4,594)	786,966	(1,232,107)	4,407,547
Other	492,410	441,914	(4,272)	(406,567)	(81,976)	441,509
Construction in progress	603,272	436,662	(1,811)	(783,452)		254,671
	7,298,539	970,832	(15,616)	(371,432)	(1,367,825)	6,514,498

(In millions of won)

**For the nine-month period ended September 30, 2016**  
**Acquisition Disposal Transfer Depreciation Others**



	<b>Beginning balance</b>					<b>Ending balance</b>	
Land	494,359	1,764	(2,881)	7,795			501,037
Buildings	557,932	1,437	(8,603)	20,182	(26,713)		544,235
Structures	342,411	11,156	(15)	9,837	(24,780)		338,609
Machinery	5,222,023	84,255	(21,793)	383,717	(1,209,017)	2,612	4,461,797
Other	402,252	393,659	(3,153)	(276,264)	(83,965)	344	432,873
Construction in progress	423,303	324,251	(6,848)	(178,406)		3,439	565,739
	7,442,280	816,522	(43,293)	(33,139)	(1,344,475)	6,395	6,844,290

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2017 and 2016

**8. Intangible Assets**

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

*(In millions of won)*

	For the nine-month period ended September 30, 2017					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	
Frequency usage rights	2,580,828				(302,916)	2,277,912
Land usage rights	8,359	2,489	(143)	200	(2,781)	8,124
Industrial rights	13,692	2,196	(19)		(2,523)	13,346
Facility usage rights	16,259	1,689	(36)	122	(2,014)	16,020
Club memberships	43,984	1,435	(1,960)	87		43,546
Other	612,541	16,178	(4,642)	386,203	(184,900)	825,380
	3,275,663	23,987	(6,800)	386,612	(495,134)	3,184,328

*(In millions of won)*

	For the nine-month period ended September 30, 2016						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Others	
Frequency usage rights	1,103,517	1,254,664			(220,514)		2,137,667
Land usage rights	11,695	995	(50)		(3,307)		9,333
Industrial rights	11,828	3,598	(120)		(3,261)	202	12,247
Facility usage rights	16,486	1,013	(4)	72	(1,919)		15,648
Club memberships	61,512	118	(1,267)				60,363
Other	561,031	25,870	(359)	41,946	(158,414)	25,676	495,750
	1,766,069	1,286,258	(1,800)	42,018	(387,415)	25,878	2,731,008

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

*(In millions of won)*

	<b>Amount</b>	<b>Description</b>	<b>Commencement of amortization</b>	<b>Completion of amortization</b>
800MHz license	152,040	Frequency usage rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	533,885	Frequency usage rights relating to LTE service	Sept. 2013	Dec. 2021
WiBro license	3,544	WiBro service	Mar. 2012	Mar. 2019
2.6GHz license	1,123,125	Frequency usage rights relating to LTE service	Sept. 2016	Dec. 2026
2.1GHz license	465,318	Frequency usage rights relating to W-CDMA and LTE service	Dec. 2016	Dec. 2021
	2,277,912			

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**9. Borrowings and Debentures**

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

*(In millions of won)*

	<b>Lender</b>	<b>Annual interest rate</b>	<b>Maturity</b>	<b>Book value</b>
Current				13,491
Non-current				61,416
As of January 1, 2017				74,907
Repayment of long-term borrowings:				
	Export Kreditnamnden	1.70%	Apr. 29, 2022	(6,407)
Other changes(*):				(3,659)
Current				12,957
Non-current				51,884
As of September 30, 2017				64,841

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

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

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

<b>Purpose</b>	<b>Annual interest rate</b>	<b>Maturity</b>	<b>Face value</b>	<b>Book value</b>
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Current				616,014	615,377
Non-current				5,001,900	4,991,067
As of January 1, 2017				5,617,914	5,606,444
Debentures newly issued:					
Unsecured private bonds	Refinancing fund	1.93%	Apr. 25, 2020	60,000	59,703
		2.17%	Apr. 25, 2022	120,000	119,498
		2.55%	Apr. 25, 2027	100,000	99,592
Unsecured private bonds	Operating and refinancing fund	2.65%	Apr. 25, 2032	90,000	89,663
Debentures repaid:					
Unsecured private Swiss bonds	Operating fund	1.75%	June 12, 2017	(349,119)	(349,119)
				CHF 300,000	CHF 300,000
Other changes(*):				(83,403)	(77,478)
Current				1,272,702	1,360,832
Non-current				4,282,690	4,187,471
As of September 30, 2017				5,555,392	5,548,303

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**9. Borrowings and Debentures, Continued**

(2) Changes in debentures for the nine-month period ended September 30, 2017 are as follows, Continued:

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

**10. Long-term Payables - other**

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

*(In millions of won)*

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Long-term payables - other	1,710,255	2,013,122
Present value discount on long-term payables - other	(86,855)	(108,406)
	1,623,400	1,904,716
Less current installments of long-term payables - other	(300,464)	(301,773)
Carrying amount at period end	1,322,936	1,602,943

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

*(In millions of won)*

	<b>Amount</b>
Less than 1 year	302,867
1~3 years	605,734

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3~5 years	402,624
More than 5 years	399,030
	1,710,255

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**11. Provisions**

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

*(In millions of won)*

	For the nine-month period ended September 30, 2017				As of September 30, 2017		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for installment of handset subsidy	24,710	2	(6,735)		17,977	17,977	
Provision for restoration	53,022	3,126	(645)	(395)	55,108	38,640	16,468
Emission allowance	2,788	3,573	(518)	(2,283)	3,560	3,560	
	80,520	6,701	(7,898)	(2,678)	76,645	60,177	16,468

*(In millions of won)*

	For the nine-month period ended September 30, 2016				As of September 30, 2016		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non- current
Provision for installment of handset subsidy	5,670		(1,019)		4,651	1,213	3,438
Provision for restoration	50,459	3,047	(559)	(863)	52,084	28,845	23,239
Emission allowance	1,477	1,016	(169)		2,324	2,324	
	57,606	4,063	(1,747)	(863)	59,059	32,382	26,677

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



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

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

*(In millions of won)*

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Present value of defined benefit obligations	280,674	240,289
Fair value of plan assets	(270,463)	(265,076)
	10,211	(24,787)

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

*(In millions of won)*

	<b>For the nine-month period ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Beginning balance	240,289	212,139
Current service cost	29,341	27,961
Interest cost	4,947	4,212
Remeasurement:		
- Adjustment based on experience	4,199	6,925
Benefit paid	(7,220)	(4,192)
Others	9,118	3,731
Ending balance	280,674	250,776

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

*(In millions of won)*

	<b>For the nine-month period ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>

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Beginning balance	265,076	208,133
Interest income	5,059	3,976
Remeasurement	(535)	(5,040)
Contribution	20,000	19,000
Benefit paid	(25,655)	(3,766)
Others	6,518	2,753
Ending balance	270,463	225,056

- (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 nine-month periods ended September 30, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Current service cost	29,341	27,961
Net interest cost (income)	(112)	236
	29,229	28,197

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**13. Derivative Instruments**

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

*(In thousands of other currencies)*

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

**14. Share Capital and Capital Surplus and Others**

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

*(In millions of won, except for share data)*

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Number of authorized shares	220,000,000	220,000,000
Number of issued shares	80,745,711	80,745,711
<b>Share capital:</b>		
Common stock	44,639	44,639
<b>Capital surplus and others:</b>		
Paid-in surplus	2,915,887	2,915,887
Treasury shares	(2,260,626)	(2,260,626)
Hybrid bonds	398,518	398,518
Share option (Note 15)	279	
Others	(682,298)	(682,298)
	<b>371,760</b>	<b>371,481</b>

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

*(In shares)*

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

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**15. Share option**

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

	<b>1-1</b>	<b>1-2</b>	<b>1-3</b>
Grant date	March 24, 2017		
Types of shares to be issued	66,504 of registered common shares		
Grant method	Reissue of treasury shares		
Number of shares (in shares)	22,168	22,168	22,168
Exercise price (in won)	246,750	266,490	287,810
Exercise period	Mar. 25, 2019 ~ Mar. 24, 2022	Mar. 25, 2020 ~ Mar. 24, 2023	Mar. 25, 2021 ~ Mar. 24, 2024
Vesting conditions	2 years service from the grant date	3 years service from the grant date	4 years service from the grant date

- (2) Share compensation expense recognized during the nine-month period ended September 30, 2017 and the remaining share compensation expense to be recognized in subsequent periods are as follows:

<i>(In millions of won)</i>	<b>Share compensation expense</b>
During the nine-month period ended September 30, 2017	279
In subsequent periods	1,112
	<b>1,391</b>

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

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

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**16. Retained Earnings**

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

*(In millions of won)*

	September 30, 2017	December 31, 2016
Appropriated:		
Legal reserve	22,320	22,320
Reserve for research & manpower development		60,001
Reserve for business expansion	10,171,138	9,871,138
Reserve for technology development	3,071,300	2,826,300
	13,264,758	12,779,759
Unappropriated	1,100,741	1,122,868
	14,365,499	13,902,627

**17. Reserves**

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

*(In millions of won)*

	September 30, 2017	December 31, 2016
Valuation gain on available-for-sale financial assets	122,898	28,963
Valuation loss on derivatives	(80,042)	(90,756)