

SK TELECOM CO LTD  
Form 6-K  
September 19, 2016  
Table of Contents

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

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE MONTH OF SEPTEMBER 2016**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

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

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

**Seoul 04539, 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-

**Table of Contents**

SEMI-ANNUAL BUSINESS REPORT

(From January 1, 2016 to June 30, 2016)

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

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

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

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

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

The Company's semi-annual business report for the six months ended June 30, 2016 includes the following consolidated subsidiaries:

| <b>Name</b>                               | <b>Date of Establishment</b> | <b>Principal Business</b>   | <b>Total Assets as of Dec. 31, 2015 (millions of Won)</b> | <b>Material Subsidiary*</b> |
|---|------------------------------|---|---|-----------------------------|
| SK Telink Co., Ltd.                       | Apr. 9, 1998                 | Telecommunication services and satellite broadcasting services      | 309,955   | Material                    |
| M&Service Co., Ltd.                       | Feb. 10, 2000                | Online information services   | 89,452  | Material                    |
| SK Communications Co., Ltd.               | Sep. 19, 1996                | Internet portal and other Internet information services             | 152,496   | Material                    |
| Stonebridge Cinema Fund                   | Sep. 30, 2005                | Investment partnership  | 7,797   |                             |
| SK Broadband Co., Ltd.                    | Sep. 5, 1997                 | Fixed-line telecommunication services, multimedia and IPTV services | 3,291,707   | Material                    |
| K-net Culture and Contents Venture Fund   | Nov. 24, 2008                | Investment partnership  | 13,169  |                             |
| Hwaitec Focus Investment Partnership 2    | Dec. 24, 2008                | Investment partnership  | 18,249  |                             |
| Open Innovation Fund                      | Dec. 22, 2008                | Investment partnership  | 19,455  |                             |
| PS&Marketing Co., Ltd.                    | Apr. 3, 2009                 | Sale of telecommunication devices                                   | 509,580   | Material                    |
| Service Ace Co., Ltd.                     | Jul. 1, 2010                 | Customer center management services                                 | 65,424  |                             |
| Service Top Co., Ltd.                     | Jul. 1, 2010                 | Customer center management services                                 | 61,897  |                             |
| Network O&S Co., Ltd.                     | Jul. 1, 2010                 | Network maintenance services  | 77,426  | Material                    |
| SK Planet Co., Ltd.                       | Oct. 1, 2011                 | Telecommunication and platform services                             | 2,406,988   | Material                    |
| Neosnetworks Co., Ltd.                    | Jun. 12, 2008                | Security system services  | 68,361  |                             |
| Iriver Ltd.                               | Jul. 12, 2000                | Audio device manufacturing  | 65,405  |                             |
| Entrix Co., Ltd.                          | July 1, 2015                 | Telecommunication (Cloud) services                                  | 30,876  |                             |
| SK Telecom China Holdings Co., Ltd.       | Jul. 12, 2007                | Investment (holding company)  | 37,748  |                             |
| SK Global Healthcare Business Group, Ltd. | Sep. 14, 2012                | Investment (SPC)  | 25,768  |                             |
| Iriver Enterprise Ltd.                    | Jan. 14, 2014                | Management of Chinese subsidiary                                    | 4,289   |                             |
| Iriver China Co., Ltd.                    | Jun 24, 2004                 |   | 4,394   |                             |

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|  |               |  |        |
|--|---------------|--|--------|
|  |               | Electronic device<br>manufacturing       |        |
| DongGuan Iriver Electronics<br>Co., Ltd. | Jul. 6, 2006  | Electronic device<br>manufacturing       | 23     |
| SK Planet Japan, K.K.                    | Mar. 14, 2012 | Digital contents sourcing<br>services    | 5,068  |
| groovers Japan Co. Ltd.                  | Feb. 25, 2015 | Contents and information<br>distribution | 1,540  |
| SKT Vietnam PTE., Ltd.                   | Apr. 5, 2000  | Telecommunication services               | 4,523  |
| SK Planet Global PTE, LTD.               | Aug. 4, 2012  | Digital contents sourcing<br>services    | 1,570  |
| SKP Global Holdings PTE, LTD.            | Aug. 10, 2012 | Investment (holding company)             | 28,320 |

**Table of Contents**

| <b>Name</b>                       | <b>Date of Establishment</b> | <b>Principal Business</b>                                 | <b>Total Assets as of Dec. 31, 2015 (millions of Won)</b> | <b>Material Subsidiary*</b> |
|-----------------------------------|------------------------------|---|---|-----------------------------|
| SKT Americas, Inc.                | Dec. 29, 1995                | Information collection and management consulting services | 51,138  |                             |
| SK Planet America LLC             | Jan. 27, 2012                | Digital contents sourcing services                        | 380,141   | Material                    |
| Shopkick Management Company, Inc. | Oct. 9, 2014                 | Investment  | 306,248   | Material                    |
| Shopkick, Inc.                    | Jun. 1, 2009                 | Mileage based e-commerce application development          | 25,388  |                             |
| SK TechX Co., Ltd.                | Mar. 1, 2016                 | Telecommunication and platform services                   |   | Material                    |
| Onestore Co., Ltd.                | Mar. 1, 2016                 | Contents distribution                                     |   | Material                    |
| SK Telecom Innovation Fund, L.P.  | Jan. 15, 2016                | Investment  |   |                             |
| Irivier America Inc.              | May 1, 2005                  | Wholesale and retail                                      |   |                             |
| Irivier Inc.                      | Feb. 15, 2007                | North America marketing and sales                         | 4,160   |                             |
| YTK Investment Ltd.               | Jul. 1, 2010                 | Investment  | 16,318  |                             |
| Atlas Investment                  | Jun. 24, 2011                | Investment  | 77,750  | Material                    |
| SK Telecom China Fund I L.P.      | Sep. 14, 2011                | Investment  | 20,901  |                             |

\* Material Subsidiary means a subsidiary with total assets of Won 75 billion or more as of the end of the latest fiscal year or, with respect to SK TechX Co., Ltd. ( SK TechX ) and Onestore Co., Ltd. ( Onestore ), which were established in 2016, a subsidiary with total assets of Won 75 billion or more as of the end of June 30, 2016. During 2016, Technology Innovation Partners, L.P. changed its name to SK Telecom Innovation Fund, L.P. Changes in subsidiaries during 2016 are set forth below.

| <b>Change</b> | <b>Name</b>              | <b>Remarks</b>                                       |
|---------------|--------------------------|--|
| Additions     | SK TechX Co., Ltd.       | Split from SK Planet Co., Ltd. and newly established |
|               | Onestore                 | Split from SK Planet Co., Ltd. and newly established |
| Exclusions    | Commerce Planet Co. Ltd. | Merged into SK Planet Co., Ltd.                      |

**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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**Table of Contents****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 LTE market on the basis of our technological leadership and network management technology.

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 the business-to-business ( B2B ) area, the Company is striving to strengthen its solutions business as well as its existing leased line business. In the area of healthcare, the Company achieved several tangible milestones: point-of-care diagnostic devices manufactured by a company of which the Company is the largest shareholder received approval from the U.S. Food and Drug Administration; the Company entered the Chinese healthcare market; and the Company was the first Korean company to export medical information systems. The Company plans to continue to find and develop new growth businesses in healthcare in the mid- to long-term. The Company also plans to seek out new growth engines in existing businesses, including the intelligence business, by utilizing its technologies relating to big data.

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

**(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, and Shocking Deal, a mobile commerce curation service. 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, Syrup, which offers smart



shopping services utilizing its network of business partners and information technology such as big data, Syrup Store, which provides integrated marketing solutions to business partners and other Syrup-related services such as gifticon, Syrup Table and Syrup Order.

In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services as a business idea creator to substantively help businesses increase their value in a rapidly evolving business environment.

In the global business area, the Company has expanded its e-commerce business globally to Turkey, Indonesia and Malaysia and has rapidly grown into one of the leading market players in these regions. The Company intends to continue its efforts to secure the market leading position in these markets.

**Table of Contents**

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.

In the media business area, the Company provides the optimum environment for subscribers to access multimedia contents according to personal taste and preference through oksusu, available on various digital devices such as personal computers and mobile devices.

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. Display advertising consists of image, video and flash-based multimedia advertising carried on NATE and NATE-ON and aims to give greater exposure to the advertiser's brand name to the public. The increased effectiveness of online media as an advertising outlet has resulted in a greatly expanded advertiser base, and the increasing variety in the format of advertising has contributed to the growth of display advertising. Search engine-based advertising refers to the type of advertising that embeds advertisements within search results produced by searches of certain keywords on the NATE portal site. Search engine-based advertising has a certain appeal to small and medium-sized advertisers.

See II-1. Business Overview for more information.

**Table of Contents****E. Credit Ratings**

## (1) Corporate bonds

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| April 11, 2013            | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| April 11, 2013            | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Current rating               |
| April 11, 2013            | Corporate bond           | AAA                  | NICE Investors Service<br>Co., Ltd.                   | Current rating               |
| April 11, 2013            | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| April 11, 2013            | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Regular rating               |
| April 11, 2013            | Corporate bond           | AAA                  | NICE Investors Service<br>Co., Ltd.                   | Regular rating               |
| April 22, 2014            | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| April 22, 2014            | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Regular rating               |
| April 22, 2014            | Corporate bond           | AAA                  | NICE Investors Service<br>Co., Ltd.                   | Regular rating               |
| April 22, 2014            | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| April 22, 2014            | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Current rating               |
| April 22, 2014            | Corporate bond           | AAA                  | NICE Investors Service,<br>Co., Ltd.                  | Current rating               |
| October 15, 2014          | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| October 15, 2014          | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Current rating               |
| October 15, 2014          | Corporate bond           | AAA                  | NICE Investors Service,<br>Co., Ltd.                  | Current rating               |
| February 9, 2015          | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| February 9, 2015          | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Current rating               |
| February 9, 2015          | Corporate bond           | AAA                  | NICE Investors Service,<br>Co., Ltd.                  | Current rating               |
| May 21, 2015              | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| May 27, 2015              | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Regular rating               |
| June 10, 2015             | Corporate bond           | AAA                  | NICE Investors Service,<br>Co., Ltd.                  | Regular rating               |
| July 6, 2015              | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| July 6, 2015              | Corporate bond           | AAA                  | Korea Investors Service,<br>Inc.                      | Current rating               |
| July 6, 2015              | Corporate bond           | AAA                  |   | Current rating               |

| Credit rating date | Subject of rating | Credit rating | Credit rating entity<br>(Credit rating range)         | Rating classification |
|--------------------|-------------------|---------------|---|-----------------------|
| October 26, 2015   | Corporate bond    | AAA           | NICE Investors Service,<br>Co., Ltd.<br>Korea Ratings | Current rating        |
| October 26, 2015   | Corporate bond    | AAA           | Korea Investors Service,<br>Inc.                      | Current rating        |
| October 26, 2015   | Corporate bond    | AAA           | NICE Investors Service,<br>Co., Ltd.                  | Current rating        |
| February 19, 2016  | Corporate bond    | AAA           | Korea Ratings   | Current rating        |
| February 19, 2016  | Corporate bond    | AAA           | Korea Investors Service,<br>Inc.                      | Current rating        |
| February 19, 2016  | Corporate bond    | AAA           | NICE Investors Service,<br>Co., Ltd.                  | Current rating        |
| May 19, 2016       | Corporate bond    | AAA           | Korea Ratings   | Current rating        |
| May 20, 2016       | Corporate bond    | AAA           | Korea Investors Service,<br>Inc.                      | Current rating        |
| May 20, 2016       | Corporate bond    | AAA           | NICE Investors Service,<br>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<br>(Credit rating range) | Rating classification |
|--------------------|-------------------|---------------|---|-----------------------|
| April 11, 2013     | CP                | A1            | Korea Ratings                                 | Current rating        |
| April 11, 2013     | CP                | A1            | Korea Investors<br>Service, Inc.              | Current rating        |
| April 11, 2013     | CP                | A1            | NICE Investors Service<br>Co., Ltd.           | Current rating        |

**Table of Contents**

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| November 29, 2013         | CP                       | A1                   | Korea Ratings   | Regular rating               |
| December 18, 2013         |                          |                      | Korea Investors                                       |                              |
|                           | CP                       | A1                   | Service, Inc.   | Regular rating               |
| December 20, 2013         |                          |                      | NICE Investors Service                                |                              |
|                           | CP                       | A1                   | Co., Ltd.   | Regular rating               |
| April 22, 2014            | CP                       | A1                   | Korea Ratings   | Current rating               |
| April 22, 2014            |                          |                      | Korea Investors                                       |                              |
|                           | CP                       | A1                   | Service, Inc.   | Current rating               |
| April 22, 2014            |                          |                      | NICE Investors Service                                |                              |
|                           | CP                       | A1                   | Co., Ltd.   | Current rating               |
| October 15, 2014          | CP                       | A1                   | Korea Ratings   | Regular rating               |
| October 15, 2014          |                          |                      | Korea Investors                                       |                              |
|                           | CP                       | A1                   | Service, Inc.   | Regular rating               |
| October 15, 2014          |                          |                      | NICE Investors Service                                |                              |
|                           | CP                       | A1                   | Co., Ltd.   | Regular rating               |
| May 21, 2015              | CP                       | A1                   | Korea Ratings   | Current rating               |
| May 27, 2015              |                          |                      | Korea Investors                                       |                              |
|                           | CP                       | A1                   | Service, Inc.   | Current rating               |
| June 10, 2015             |                          |                      | NICE Investors Service                                |                              |
|                           | CP                       | A1                   | Co., Ltd.   | Current rating               |
| January 19, 2016          | Short-term bond          | A1                   | Korea Ratings   | Current rating               |
| January 19, 2016          |                          |                      | Korea Investors                                       |                              |
|                           | Short-term bond          | A1                   | Service, Inc.   | Current rating               |
| January 19, 2016          |                          |                      | NICE Investors Service                                |                              |
|                           | Short-term bond          | A1                   | 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              |                          |                      | Korea Investors                                       |                              |
|                           | CP                       | A1                   | Service, Inc.   | Current rating               |
| May 11, 2016              |                          |                      | Korea Investors                                       |                              |
|                           | Short-term bond          | A1                   | Service, Inc.   | Current rating               |
| May 12, 2016              |                          |                      | NICE Investors Service                                |                              |
|                           | CP                       | A1                   | Co., Ltd.   | Current rating               |
| May 12, 2016              |                          |                      | NICE Investors Service                                |                              |
|                           | Short-term bond          | A1                   | 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> |
|------------------------------|--------------------------|------------------------------------|------------------------------|--------------------|
|------------------------------|--------------------------|------------------------------------|------------------------------|--------------------|

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|                  |                                   |    |                                   |                |
|------------------|-----------------------------------|----|-----------------------------------|----------------|
| June 4, 2012     | Bonds denominated in Swiss Franc  | A3 | Moody s Investors Service         | Current rating |
| June 6, 2012     | Bonds denominated in Swiss Franc  | A- | Fitch Inc.                        | Current rating |
| June 7, 2012     | Bonds denominated in Swiss Franc  | A- | Standard & Poor s Rating Services | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A- | Fitch Inc.                        | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A3 | Moody s Investors Service         | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A- | Standard & Poor s Rating Services | Current rating |

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

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

## 2. Company History

October 2011: SK Planet Co., Ltd. was spun off from the Company.

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

**Table of Contents**

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 29th General Meeting of Shareholders held on March 22, 2013, Dae Sik Cho was elected as an inside director and Dae Shick Oh was elected as an independent director and member of the audit committee of the Company's board of directors. 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.

**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.

**D. Mergers, Acquisitions and Restructuring**

(1) Spin-off

In accordance with the resolution of the Company's board of directors on July 19, 2011 and the resolution of the shareholders' meeting on August 31, 2011, the Company spun off its platform business and established SK Planet Co., Ltd., effective as of October 1, 2011. The registration of the spin-off was completed on October 5, 2011. Set forth below are important details of the spin-off.

| <b>Description</b>  | <b>Detail</b>                            |
|---------------------|--|
| Method of Spin-off  | Simple vertical spin-off                 |
| Resulting Companies | SK Telecom Co., Ltd. (Surviving Company) |
|                     | SK Planet Co., Ltd. (Spin-off Company)   |
| Effective Date      | October 1, 2011                          |



**Table of Contents**

Set forth below is a summary of the Company's financial position before and after the spin-off.

| Description                | (in millions of Won)                              |                     |   |
|----------------------------|---|---------------------|---|
|                            | Before the spin-off<br>(As of September 30, 2011) |                     | After the spin-off<br>(As of October 1, 2011) |
|                            | SK Telecom Co.,<br>Ltd.                           | SK Telecom Co., Ltd | SK Planet Co., Ltd.                           |
| Total Assets               | 19,400,114  | 19,084,651          | 1,545,537                                     |
| Total Liabilities          | 7,673,828   | 7,358,365           | 315,463                                       |
| Total Shareholders' Equity | 11,726,286  | 11,726,286          | 1,230,074                                     |

The schedule of the spin-off is set forth below.

| Category   | Date                                |
|--|-------------------------------------|
| Board resolution on spin-off   | July 19, 2011                       |
| Record Date for Determination of Shareholders for the Shareholders' Meeting for Spin-off | August 4, 2011                      |
| Shareholders' Meeting for Approval of Spin-off Plan                                      | August 31, 2011                     |
| Date of Spin-off   | October 1, 2011                     |
| Shareholders' Meeting for Report of Spin-off and Inaugural Meeting of Shareholders       | October 4, 2011                     |
| Registration of Spin-off   | October 5, 2011                     |
| Others   |                                     |
| Notice of closure of shareholders register   |                                     |
| Period of closure of shareholders register   | July 20, 2011                       |
| Public notice of shareholders' meeting   | August 5, 2011~ August 8, 2011      |
| Dispatch of notice of shareholders meeting   | August 10, 2011 and August 12, 2011 |
|  | August 12, 2011                     |

Changes in shareholding, including majority shareholder  
Not applicable because the spin-off is a simple vertical spin-off.

Appraisal rights of shareholders  
Not applicable because the spin-off is a simple vertical spin-off.

Protection of creditors

In accordance with Article 530-9 Paragraph 1, both SK Telecom and SK Planet will be jointly and severally liable for the payment of all obligations of SK Telecom incurred prior to the spin-off.

Allocation of new shares

In accordance with Articles 530-2 through 530-12, the spin-off is a simple vertical spin-off and all shares of SK Planet were allocated to SK Telecom.

(2) Acquisition of shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.)

In accordance with the resolution of the Company's board of directors on November 14, 2011, the Company purchased 146,100,000 shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.) ( SK Hynix ) (aggregate purchase price of Won 3,374,726 million) on February 14, 2012 in order to acquire control of SK Hynix. The Company had a 21.05% equity interest in SK Hynix after the purchase.

(3) 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.

**Table of Contents**

(4) 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.

(5) 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.

(6) Acquisition of shares of Neosnetworks Co., Ltd. ( Neosnetworks )

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

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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

**Table of Contents**

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

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

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

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

Date of the Share Exchange: June 9, 2015

(12) Establishment of Entrix Co., Ltd.

In the first three quarters of 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.

(13) Additional capital raise by NanoEnTek Inc.

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

(14) 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.

(15) 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.

(16) 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.

(17) 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.

**Table of Contents**

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

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

(19) 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.

**[SK Broadband]**

(1) Mergers among Subsidiaries and Affiliates

On July 26, 2012, the board of directors of SK Broadband resolved to merge Broadband D&M Co., Ltd., its wholly-owned subsidiary, into SK Broadband after transferring Broadband D&M Co., Ltd.'s network maintenance business to Network O&S Co., Ltd. The merger was effective as of September 26, 2012. In connection with this merger, SK Broadband did not issue any new shares.

On October 25, 2012, the board of directors of SK Broadband resolved to merge Broadband CS Co., Ltd., its wholly-owned subsidiary, into SK Broadband after transferring Broadband CS Co., Ltd.'s customer service business to Service Ace Co., Ltd. The merger was effective as of December 26, 2012. In connection with this merger, SK Broadband did not issue any new shares.

On January 3, 2013, the board of directors of SK Broadband approved the merger of Broadband Media Co., Ltd., its wholly-owned subsidiary, into SK Broadband. The merger was effective as of March 22, 2013 and was recorded as of March 25, 2013. Please refer to the Merger Completion Report filed with the Financial Services Commission on March 25, 2013. In connection with this merger, SK Broadband did not issue any new shares.

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.

(2) Share Exchange

On March 20, 2015, the board of directors of SK Broadband resolved to approve the Share Exchange. 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.

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



**Table of Contents**

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

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

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

Date of the Share Exchange: June 9, 2015

(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.

**[SK Planet]**

As of February 1, 2013, SK Planet merged with SK Marketing & Company, a company providing e-commerce and advertising services. In connection with this merger, SK Planet issued 12,927,317 of its common stock to SK Telecom, which was a shareholder of SK Marketing & Company.

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.

**Table of Contents**

**[SK Communications]**

(1) Disposition of shares of SK i-media

Pursuant to the resolution of its board of directors on October 17, 2011, SK Communications sold all of the shares of SK i-media Co., Ltd. it owns to LK Media Tec Co., Ltd. for Won 1 million of cash.

(2) Disposition of shares of U-Land

Pursuant to the resolution of its board of directors on December 21, 2011, SK Communications sold all of the shares of U-Land Co., Ltd. (a 29.85% equity interest) it owns to SK Planet for Won 10 million.

(3) 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.

(4) Disposition of shares of Service-In

On November 19, 2012, SK Communications sold all of its shares (80,000 common shares) in Service-In Co., Ltd., its subsidiary, to the chief executive officer of Service-In Co., Ltd., pursuant to a resolution of its board of directors of October 31, 2012.

(5) 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.

**[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.

**[M&Service]**

Upon the merger between SK Marketing & Company, which held a 100% equity stake in M&Service, and SK Planet on February 1, 2013, SK Planet holds a 100% equity stake in M&Service.

**[Neosnetworks]**

On March 31, 2015, Neos Networks 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. Joeun Safe was spun off from its parent company Joeun System in 2006 and has the fourth largest market share in the Korean unmanned security industry. Upon this acquisition, it is expected that the Company will quickly expand into the unmanned security market.

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**Table of Contents**

**[Iriver]**

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

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

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

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

**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

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(with an annual interest rate of 2.550% and a maturity date of November 30, 2025), Won 70 billion (with an annual interest rate of 2.749% and a maturity date of November 30, 2035), and Won 50 billion (with embedded options, an annual interest rate of 3.100% and a maturity date of November 30, 2030).

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

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

**Table of Contents****(2) Issuance of hybrid securities**

On June 7, 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 adjusted five years after 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.

**(3) Conversion of convertible notes**

On April 7, 2009, the Company issued convertible notes with a maturity of five years in the principal amount of US\$332,528,000 with an annual interest rate of 1.75%. In 2013, holders exercised their conversion rights with respect to an aggregate principal amount of US\$326,023,000 of the convertible notes. The Company delivered 1,241,337 treasury shares in respect of US\$170,223,000 of the exercised aggregate principal amount and delivered cash in respect of the remainder due to the limit on foreign ownership. In connection with such conversion, the Company recognized Won 135 billion in financial expenses in 2013. On November 13, 2013, the Company exercised its early redemption right and on December 13, 2013, redeemed the US\$6,505,000 principal amount of convertible notes not converted by noteholders. A 20-day volume weighted average pricing formula was used for the delivery of cash made in place of treasury shares. Due to such calculation, the Company still had US\$91,108,507 outstanding in payables as of December 31, 2013. The amount was paid in full as of January 6, 2014, and currently, there is no amount outstanding.

**[SK Broadband]**

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

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

(As of June 30, 2016)

(Unit: in shares)

| Classification                                     | Share type    |                  | Total       | Remarks |
|--|---------------|------------------|-------------|---------|
|  | Common shares | Preferred shares |             |         |
| <b>I. Total number of authorized shares</b>        | 220,000,000   |                  | 220,000,000 |         |
| <b>II. Total number of shares issued to date</b>   | 89,278,946    |                  | 89,278,946  |         |
| <b>III. Total number of shares retired to date</b> | 8,533,235     |                  | 8,533,235   |         |

|  |            |            |
|--|------------|------------|
| a. reduction of capital                        |            |            |
| b. retirement with profit                      | 8,533,235  | 8,533,235  |
| c. redemption of redeemable shares             |            |            |
| d. others                                      |            |            |
| <b>IV. Total number of shares (II-III)</b>     | 80,745,711 | 80,745,711 |
| <b>V. Number of treasury shares</b>            | 10,136,551 | 10,136,551 |
| <b>VI. Number of shares outstanding (IV-V)</b> | 70,609,160 | 70,609,160 |



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

## (1) Acquisitions and dispositions of treasury shares

(As of June 30, 2016)

(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             | Common shares              | 10,136,551   |              |             | 10,136,551           |
|  | Direct acquisition |                            |              |              |             |                      |
|  | from market        | Preferred shares           |              |              |             |                      |
|  | Direct over-       | Common shares              |              |              |             |                      |
|  | the-counter        | Preferred shares           |              |              |             |                      |
|  | acquisition        | Common shares              |              |              |             |                      |
|  | Tender offer       | Preferred shares           |              |              |             |                      |
|  | Sub-total          | Common shares              | 10,136,551   |              |             | 10,136,551           |
|  | Held by            | Preferred shares           |              |              |             |                      |
|  | Common shares      | Common shares              |              |              |             |                      |
| Acquisition through trust and other agreements   | trustee            | Preferred shares           |              |              |             |                      |
|  | Held in actual     | Common shares              |              |              |             |                      |
|  | stock              | Preferred shares           |              |              |             |                      |
|  | Sub-total          | Common shares              |              |              |             |                      |
| Other acquisition  | Preferred shares   |                            |              |              |             |                      |
|  | Common shares      |                            |              |              |             |                      |
| Total  | Common shares      | 10,136,551                 |              |              |             | 10,136,551           |
|  | Preferred shares   |                            |              |              |             |                      |

**4. Status of Voting Rights**

(As of June 30, 2016)

(Unit: in shares)

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

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

**Table of Contents**

**5. Dividends and Others**

**A. Dividends**

- (1) Distribution of cash dividends was approved during the 30th General Meeting of Shareholders held on March 21, 2014.

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 366th Board of Directors Meeting on July 24, 2014.

- (3) 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.

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

- (5) 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.

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

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

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

|                       |                          |            |                      |                          |
|-----------------------|--------------------------|------------|----------------------|--------------------------|
| <b>Classification</b> | <b>As of and for the</b> | <b>6</b>   | <b>As of and for</b> | <b>As of and for the</b> |
|                       | <b>months</b>            | <b>the</b> | <b>year</b>          | <b>ended</b>             |

|  | ended<br>June 30,<br>2016       | year ended December 31, 2014<br>December 31, 2015 |           |
|--|---------------------------------|---|-----------|
| Par value per share (Won)                              | 500                             | 500   | 500       |
| (Consolidated)Net income                               | 861,982                         | 1,518,604   | 1,801,178 |
| Net income per share (Won)                             | 12,089                          | 20,988  | 25,154    |
| Total cash dividend                                    | 70,609                          | 708,111   | 666,802   |
| Total stock dividends                                  |                                 |   |           |
| (Consolidated)   |                                 |   |           |
| Percentage of cash dividend to available<br>income (%) | 0.8                             | 46.6  | 37        |
| Cash dividend yield ratio (%)                          | Common share<br>Preferred share | 0.5<br>4.6  | 3.5       |
| Stock dividend yield ratio (%)                         | Common share<br>Preferred share |   |           |
| Cash dividend per share (Won)                          | Common share                    | 1,000<br>10,000                                   | 9,400     |
| Stock dividend per share (share)                       | Common share<br>Preferred 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>  |
|-----------------------|-----------------------------|---|
| <b>Wireless</b>       | SK Telecom Co., Ltd.        | Wireless voice and data telecommunications services via digital wireless networks   |
|                       | PS&Marketing Co., Ltd.      | Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels  |
|                       | Network O&S Co., Ltd.       | Maintenance of switching stations   |
| <b>Fixed-line</b>     | SK Broadband Co., Ltd.      | High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents                                       |
|                       |                             | Various media-related services, such as channel management, including video on demand, and mobile IPTV services   |
| <b>Other business</b> | SK Telink Co., Ltd.         | International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator ( MVNO ) services |
|                       | SK Planet Co., Ltd.         | Various platform services such as 11th Street, Syrup, OK Cashbag in the commerce area   |
|                       | SK TechX Co., Ltd.          | Develop and supply system software for SK Telecom   |
|                       | Onestore Co., Ltd.          | Operate app store   |
|                       | SK Communications Co., Ltd. | Integrated portal services through NATE and instant messaging services through NATE-ON  |
|                       | M&Service Co., Ltd.         | System software development, distribution and technical support services and other online   |

|                                   |   |
|-----------------------------------|---|
|                                   | information services                                      |
| SK Planet America LLC             | System software development, distribution and investments |
| Shopkick Management Company, Inc. | System software development, distribution and investments |
| Atlas Investment                  | Investments   |

**[Wireless Business]**

**A. Industry Characteristics**

The 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. Such achievements were the building blocks towards the Company's LTE penetration reaching 68.7% as of June 30, 2016.

**Table of Contents****B. Growth Potential**

| Classification        |                   | (Unit: in 1,000 persons) |                                      |               |               |
|-----------------------|-------------------|--------------------------|--------------------------------------|---------------|---------------|
|                       |                   | As of June 30,<br>2016   | As of December 31,<br>2015 2014 2013 |               |               |
| Number of subscribers | SK Telecom        | 26,528                   | 26,250                               | 26,468        | 26,286        |
|                       | Others (KT, LGU+) | 27,184                   | 26,765                               | 26,125        | 25,909        |
|                       | MVNO              | 6,397                    | 5,921                                | 4,584         | 2,485         |
|                       | <b>Total</b>      | <b>60,109</b>            | <b>58,936</b>                        | <b>57,177</b> | <b>54,680</b> |

\* Source: Wireless subscriber data from the Ministry of Science, ICT and Future Planning ( MSIP ) as of June 30, 2016.

**C. Domestic and Overseas Market Conditions**

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

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

| Classification                | (Unit: in percentages) |                                      |      |      |
|-------------------------------|------------------------|--------------------------------------|------|------|
|                               | As of June 30,<br>2016 | As of December 31,<br>2015 2014 2013 |      |      |
| Mobile communication services | 49.3                   | 49.4                                 | 50.2 | 50.0 |

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

**D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the six months ended June 30, 2016, the Company recorded Won 8.5 trillion in revenue and Won 0.8 trillion in operating income on a consolidated basis and Won 6.2 trillion in revenue and Won 0.9 trillion 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 2016, which in turn led to an increase in data usage. The success of Luna, a smartphone launched in September 2015 that was designed to run exclusively on the Company's networks, led to the launch of various other relatively low-priced devices and became an example of successfully targeting a niche market.

By continuing to be innovative in developing core competencies, the Company has more firmly established its position as the market leader in wireless telecommunications. The competitive environment of the wireless telecommunications industry has become more focused on retention. For the six months ended June 30, 2016, the average monthly churn rate was 1.5%, a record low since 2004 when the mobile number portability system was first introduced. The number of subscribers (including MVNO subscribers) as of June 30, 2016 was 29.2 million, an increase of approximately 230,000 from the previous quarter. In particular, the number of smartphone subscribers as of June 30, 2016 was 21.3 million, an increase of approximately 310,000 from the previous quarter, propelled by 20.0 million LTE subscribers, solidifying the Company's market leadership. In addition, as of June 30, 2016, the number of subscribers for products targeted towards second devices such as the T Kids phone Joon and T Outdoor reached 890,000, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.



## **Table of Contents**

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. In December 2014, the Company launched tri-band LTE-A services. 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 19 years, 18 years and 17 years, respectively.

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

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

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

## **[Fixed-line Business]**

### **A. Industry Characteristics**

As subscribers to various bundled wireless and fixed-line products continue to increase, the IPTV business is evolving to satisfy diverse customer needs for media services through differentiated service offerings, including mobile IPTV, bundled wireless and IPTV products and ultra-high definition broadcasting services for smart televisions. In the Korean pay TV market, analog cable broadcasting is increasingly being replaced with digital broadcasting and IPTV is the fastest growing digital broadcasting platform. While it is currently expected that there will be a decline in the number of subscribers switching from cable TV to IPTV, the Company believes that it will need to aggressively increase its subscriber base by providing differentiated services on its IPTV platform. In addition, with the maturity of the residential market and the changing trends of broadcasting consumption towards mobile platforms, the Company believes that giga and ultra-high definition broadcasting services and mobile media services will be important competitive factors. In the future, the Company believes that there will be rapid evolution towards a broadband network stemming from increased demand for giga and ultra-high definition broadcasting services and cloud services and the government is likely to promote the development of the next-generation ICT industry through various policies and regulations.



**Table of Contents****B. Growth Potential**

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

| Classification            |                      | As of June 30, | As of December 31, |        |
|---------------------------|----------------------|----------------|--------------------|--------|
|                           |                      | 2016           | 2015               | 2014   |
| Fixed-line<br>Subscribers | High-speed Internet  | 20,314         | 20,025             | 19,199 |
|                           | Fixed-line telephone | 15,998         | 16,341             | 16,939 |
|                           | IPTV (real-time)     | 10,992         | 10,992             | 9,670  |

\* Source: MSIP website.

\* The number of IPTV subscribers was taken from data announced by the MSIP on May 18, 2016 and the number of IPTV subscribers as of December 31, 2015 and June 30, 2016 shown above is the average number of subscribers for the last six months of 2015.

**C. Cyclical Nature and Seasonality**

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

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

| Classification   | (Unit: in percentages) |                    |      |
|--|------------------------|--------------------|------|
|  | As of June 30,         | As of December 31, |      |
|  | 2016                   | 2015               | 2014 |
| High-speed Internet (including resales)                                | 25.3                   | 25.1               | 25.1 |
| Fixed-line telephone (including Voice over Internet Protocol ( VoIP )) | 17.0                   | 17.1               | 17.0 |
| IPTV   | 30.5                   | 30.5               | 29.2 |

\* Source: MSIP website.

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

\* The number of IPTV subscribers was taken from data announced by the MSIP on May 18, 2016 and the IPTV market shares as of December 31, 2015 and June 30, 2016 was calculated using the average number of subscribers for the last six months of 2015.

**D. Business Overview and Competitive Strengths**

In 1999, the Company was the first in the world to commence commercial ADSL services. On the back of its premium technology and enhanced competitiveness achieved through bundled products, it is currently expanding

subscriber base across all of its businesses, including broadband Internet, telephone and IPTV. In particular, SK Broadband has positioned itself to focus on corporate customer services and IPTV services as key strategic areas for mid- to long-term growth, exploiting opportunities in new ICT-based businesses that have led to revenue growth, and providing differentiated contents in its IPTV business by securing popular programming which includes exclusive children's channels and live broadcasts of Major League Baseball games. In addition, the Company has reinforced its leadership in the ultra-high definition broadcasting market by launching ultra-high definition services that require no set-top boxes in April 2014 and by commercializing ultra-high definition set-top boxes for the first time in Korea in September 2014. Furthermore, the Company was the first in the industry to adopt solutions to upgrade full high definition to ultra-high definition, and the Company also strengthened the line-up of ultra-high definition contents by securing access to diverse contents provided by Sony and NBC Universal. Moreover, the Company provides the greatest number of channels in full high definition in the IPTV market due to its recent upgrade of all 130 live high definition channels to full high definition. The Company has also been selected by the government as the lead trial operator of gigabit ( GiGA ) Internet service to promote the discovery of new technologies and services related to the expansion of GiGA coverage within the hybrid fiber-coaxial network and provide GiGA Wi-Fi and other services. Furthermore, the Company has solidified its technological leadership by setting a worldwide precedent for providing super 8K ultra-high definition broadcasting service, which has resolution four times as high as the pre-existing 4K ultra-high definition broadcasting service in the IPTV industry.

## **Table of Contents**

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.

In order to move beyond the saturated wireless telecommunications market and plan for new future opportunities, the Company is aiming to transform itself into a next-generation platform service provider. The Company plans to actively develop a portfolio of services on its growth platforms using its leading position in the ICT business as a foundation to overcome boundaries between industries. In particular, the Company intends to maximize synergies between various business areas and overcome the limitations on growth in the wireless telecommunications market through its three growth platforms, comprising its Internet of Things ( IoT ) solutions platform, lifestyle enhancement platform and advanced media platform. The Company intends to expand its competitive strengths in the residential market, based on its media offerings through its advanced media platform, to also develop its IoT solutions and lifestyle enhancement platforms. The Company also intends to continue to seek business opportunities for its growth businesses such as its healthcare and B2B solutions businesses and integrate them with its growth platforms.

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

**B. Growth Potential**

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

## **Table of Contents**

### **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.

#### (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.

#### (3) Media

Due to an increase in the number of devices owned by each user and an increase in network speed, each user can now enjoy music or video files anywhere and anytime by storing them in cloud servers, called N-screen service. Users can recommend music to other users through social networking services and this is expected to become a distribution model for digital media contents. Various service providers are competing in this market expecting a strong growth in the online and mobile video market.

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

The Company plans to expand its platform ecosystem focusing on its Open & Collaboration motto in operating its commerce business such as 11<sup>th</sup> Street, Syrup, and OK Cashbag, its digital contents business such as Onestore and its location-based service business such as T-Map Navigation, thereby ultimately increasing its enterprise value.

#### (1) Commerce

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 and is also rapidly growing in the mobile commerce market and has established itself as the domestic market leader 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 platform was successfully launched through a joint venture established in July 2013 with PT XM 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 and is actively engaged in operating such business.

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

OK Cashbag is a point-based loyalty marketing program which has grown to become a 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.



**Table of Contents**

## (2) Location-based services

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

## (3) Digital contents

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

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

The Company's instant messenger service, Nate-On, had a market share of 20.6% in the instant messenger market in Korea with 3.2 million net users during the month of June 2016. The Company's Internet search portal service, Nate, had a page-view market share of 3.8% as of June 30, 2016. (Source: Korean Click, based on fixed-line access)

**2. Major Products & Services****A. 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.,   | Mobile communication service, wireless data service, ICT service      | T, Band Data and others                             | 6,499,445 (77%)                          |
|                   | PS&Marketing Co., Ltd., |   |   |  |
|                   | Network O&S Co., Ltd.   |   |   |  |
| <b>Fixed-line</b> | SK Broadband Co., Ltd., | Fixed-line phone, high speed Internet, data and network lease service | B tv , 00700 international call, 7Mobile and others | 1,329,664 (16%)                          |
|                   | SK Telink Co., Ltd.     |   |   |  |
| <b>Other</b>      | SK Planet Co., Ltd.,    |   |   | 666,643 (7%)                             |

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|   |  |   |
|---|--|---|
| SK TechX Co., Ltd.,<br>Onestore Co., Ltd.,  | Internet portal<br>service and<br>e-commerce | OK Cashbag,<br>NATE, Onestore<br>and others |
| SK Communications Co., Ltd.,<br>M&Service Co., Ltd.,<br>SKP America, LLC,<br>Shopkick Mgmt. Co., Ltd. |  |   |

Total 8,495,752 (100%)

**[Wireless Business]**

As of June 30, 2016, based on the Company's standard monthly subscription plan, the basic service fee was Won 11,000 and the usage fee was Won 1.8 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 June 30, 2016, broadband Internet and TV services comprised 57.8% of SK Broadband's revenue, telephony service 16.0%, corporate data services 24.8% and other telecommunications services 1.4%. 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, T Map, OK Cashbag and others |
| <b>Advertisement (Display, Search)</b> | Online advertisement services   | Nate, Nate-On  |
| <b>Contents and others</b>             | Pay content sales and other services  | Nate, Nate-On  |

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

| <b>Business</b> | <b>Classification</b>        | <b>Investment period</b>       | <b>Subject of investment</b> | <b>Investment effect</b>                                       | <b>(Unit: in 100 millions of Won)</b> |                                |
|-----------------|------------------------------|--------------------------------|------------------------------|--|---------------------------------------|--------------------------------|
|                 |                              |                                |                              |  | <b>Expected investment amount</b>     | <b>Amount already invested</b> |
| Network/Common  | Upgrade/<br>New installation | Six months ended June 30, 2016 | Network, systems and others  | Capacity increase and quality improvement; systems improvement | 21,000                                | 3,125                          |
| Total           |                              |                                |                              |  | 21,000                                | 3,125                          |

\* On July 28, 2016, the Company's board of directors resolved to increase its 2016 capital expenditure budget from Won 20 trillion to Won 21 trillion.

## B. Future Investment Plan

(Unit: in 100 millions of Won)

| Business       | Expected investment amount  |        | Expected investment for each year |                  |                  | Investment effect   |
|----------------|-----------------------------|--------|-----------------------------------|------------------|------------------|---|
|                | Asset type                  | Amount | 2016                              | 2017             | 2018             |   |
| Network/Common | Network, systems and others | 21,000 | 21,000                            | To be determined | To be determined | Upgrades to the existing services and expanded provision of services including wideband LTE-A |
| <b>Total</b>   |                             | 21,000 | 21,000                            | To be determined | To be determined |   |

### [Fixed-line Business]

#### A. Investment in Progress

For the six months ended June 30, 2016, the Company spent Won 239.7 billion for capital expenditures as set out below, including the investment of Won 103.4 billion to expand subscriber networks. In 2016, the Company expects to spend additional amounts to strengthen the competitiveness of its advanced media and IoT solutions platforms; however, the overall capital expenditure amount is expected to be similar to 2015 through efficient management of investments.

**Table of Contents**

(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>Amount already invested</b> | <b>Future investment</b> |
|---------------------|---------------------------------|--------------------------------------|--|---|--------------------------------|--------------------------|
| High-speed Internet | Upgrade/<br>New<br>installation | Six months<br>ended June 30,<br>2016 | Backbone<br>and<br>subscriber<br>network /<br>others | Expand subscriber networks and facilities | 1,091                          | To be determined         |
| Telephone           |                                 |                                      |  |   | 1                              |                          |
| Television          |                                 |                                      |  | 571                                       |                                |                          |
| Corporate Data      |                                 |                                      |  | 328                                       |                                |                          |
| Others              |                                 |                                      |  | 406                                       |                                |                          |
| <b>Total</b>        |                                 |                                      |  |   | <b>2,397</b>                   |                          |

**4. Revenues**

(Unit: in millions of Won)

| <b>Business</b>   | <b>Sales type</b> | <b>Item</b>                                      |          | <b>For the six</b>  | <b>For the year</b>       | <b>For the year</b>       |
|-------------------|-------------------|--|----------|---------------------|---------------------------|---------------------------|
|                   |                   |  |          | <b>months ended</b> | <b>ended December 31,</b> | <b>ended December 31,</b> |
|                   |                   |  |          | <b>June 30,</b>     | <b>2015</b>               | <b>2014</b>               |
|                   |                   |  |          | <b>2016</b>         |                           |                           |
| <b>Wireless</b>   | Services          | Mobile communication                             | Export   | 8,900               | 15,035                    | 6,773                     |
|                   |                   |  | Domestic | 6,490,545           | 13,254,243                | 13,521,108                |
|                   |                   |  | Subtotal | 6,499,445           | 13,269,278                | 13,527,881                |
| <b>Fixed-line</b> | Services          | Fixed-line, B2B data,<br>High-speed Internet, TV | Export   | 53,926              | 94,387                    | 63,608                    |
|                   |                   |  | Domestic | 1,275,738           | 2,400,186                 | 2,386,312                 |
|                   |                   |  | Subtotal | 1,329,664           | 2,494,573                 | 2,449,920                 |
| <b>Other</b>      | Services          | Display and Search ad.,<br>Content               | Export   | 21,340              | 53,622                    | 20,798                    |
|                   |                   |  | Domestic | 645,303             | 1,319,261                 | 1,165,199                 |
|                   |                   |  | Subtotal | 666,643             | 1,372,883                 | 1,185,997                 |
| <b>Total</b>      |                   |  | Export   | 84,166              | 163,044                   | 91,179                    |
|                   |                   |  | Domestic | 8,411,586           | 16,973,690                | 17,072,619                |
|                   |                   |  | Total    | 8,495,752           | 17,136,734                | 17,163,798                |

(Unit: in millions of Won)

| For the six months ended June 30, 2016 | Wireless   | Fixed     | Other     | Sub total  | Internal transaction | After consolidation |
|--|------------|-----------|-----------|------------|----------------------|---------------------|
| <b>Total sales</b>                     | 7,292,918  | 1,629,570 | 928,512   | 9,851,000  | (1,355,248)          | 8,495,752           |
| <b>Internal sales</b>                  | 793,473    | 299,906   | 261,869   | 1,355,248  | (1,355,248)          |                     |
| <b>External sales</b>                  | 6,499,445  | 1,329,664 | 666,643   | 8,495,752  |                      | 8,495,752           |
| <b>Operating income (loss)</b>         | 920,427    | 64,388    | (175,324) | 809,491    |                      | 809,491             |
| <b>Profit (loss) for the period</b>    |            |           |           |            |                      | 1,100,874           |
| <b>Total assets</b>                    | 23,836,373 | 3,680,610 | 2,865,977 | 30,382,960 | (1,853,570)          | 28,529,390          |
| <b>Total liabilities</b>               | 9,731,374  | 2,316,179 | 987,201   | 13,034,754 | 127,143              | 13,161,897          |

## 5. Derivative Transactions

### A. Current Swap Contract Applying Cash Flow Risk Hedge Accounting

Currency swap contracts under cash flow hedge accounting as of June 30, 2016 are as follows:

| Borrowing date | Hedged item  | Hedged risk           | Contract type       | Financial institution               | Duration of contract           |
|----------------|--|-----------------------|---------------------|-------------------------------------|--------------------------------|
| Jul. 20, 2007  | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000) | Foreign currency risk | Cross currency swap | Morgan Stanley and five other banks | Jul. 20, 2007<br>Jul. 20, 2027 |

**Table of Contents**

| <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>    |
|-----------------------|---|--|-----------------------------------|-----------------------------------|--------------------------------|
| Jun. 12, 2012         | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)                  | Foreign currency risk                        | Cross currency swap               | Citibank and five other banks     | Jun. 12, 2012<br>Jun. 12, 2017 |
| 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               | Barclays and nine other banks     | Nov. 1, 2012<br>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<br>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<br>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<br>Oct. 26, 2018 |
| Dec. 16, 2013         | Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$69,056)                        | Foreign currency risk                        | Cross currency swap               | Deutsche Bank                     | Dec. 16, 2013<br>Apr. 29, 2022 |

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

As of June 30, 2016, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

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

| <b>Hedged item</b> | <b>Fair value</b>       |                         |                              | <b>Trading purposes</b> | <b>Total</b> |
|--------------------|-------------------------|-------------------------|------------------------------|-------------------------|--------------|
|                    | <b>Cash flow hedge</b>  | <b>Foreign currency</b> | <b>Others<sup>(*1)</sup></b> |                         |              |
|                    | <b>Accumulated gain</b> | <b>effect</b>           |                              |                         |              |

|   | <b>(loss) on valuation<br/>of<br/>derivatives</b> |          | <b>translation<br/>gain<br/>(loss)</b> |         |       |          |
|---|---|----------|--|---------|-------|----------|
| <b>Non-current assets:</b>  |   |          |  |         |       |          |
| Convertible option <sup>(*2)</sup><br>(face amounts of Won 150 billion)                                     |   |          |  |         | 9,961 | 9,961    |
| Fixed-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value<br>of US\$400,000,000)      | (50,424)  | (16,098) | 8,299                                  | 129,806 |       | 71,583   |
| Fixed-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value<br>of US\$700,000,000)      | (15,296)  | (4,884)  | 51,650                                 |         |       | 31,470   |
| Floating-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value<br>of US\$300,000,000)   | (11,613)  | (3,709)  | 24,255                                 |         |       | 8,933    |
| Fixed-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value<br>of US\$300,000,000)      | (4,481)   |          | 30,694                                 |         |       | 26,213   |
| Fixed-to-fixed cross currency swap<br>(U.S. dollar denominated bonds face value<br>of US\$69,056)           | (3,622)   | (1,156)  | 7,457                                  |         |       | 2,679    |
| <b>Total assets</b>   |   |          |  |         |       | 150,839  |
| <b>Non-current liabilities:</b>   |   |          |  |         |       |          |
| Fixed-to-fixed cross currency swap<br>(Swiss Franc denominated bonds face<br>value of CHF 300,000,000)      | (6,565)   | (2,095)  | (6,710)                                |         |       | (15,370) |
| Fixed-to-fixed cross currency swap<br>(Australia dollar denominated bonds face<br>value of AUD 300,000,000) | 2,873   | 918      | (74,879)                               |         |       | (71,088) |
| <b>Total liabilities</b>  |   |          |  |         |       | (86,458) |



**Table of Contents**

(\*1) 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 |
| Product                        | Acts Display & Optics Company | May 4, 2016      | February 28, 2017 | Purchase smart beam laser               | 64              |
| Real Estate                    | SK Broadband Co., Ltd.        | February 1, 2016 | January 31, 2017  | Namsan Office Building Lease Contract   | 53              |
| Real Estate                    | Multiple                      | January 1, 2016  | June 30, 2016     | Purchase land (Euiwang and four others) | 26              |
| Subtotal                       |                               |                  |                   |   | 143             |

**[SK Broadband]**

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

| Counterparty                        | Contract Contents   | Contract Period  | Note   |
|-------------------------------------|---|--|--|
| Telecommunication service providers | Interconnection among telecommunication service providers |  | Automatically renewed for two years at a time unless specific amendments are requested |
| KEPCO                               | Provision of electric facilities                          | From Nov. 2015 to Nov. 2016<br><br>(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 July 2009 to July 2013 (Renewal in progress, currently in the process of                                | Use of railway telecommunication conduit (Serviced areas to expand)                    |

|                      |  |   |   |
|----------------------|--|---|---|
|                      |  | transitioning to private network system, plans to enter into a contract once completed and the remaining work is confirmed)   |   |
| 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 Sep. 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.

**Table of Contents****[SK Communications]**

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

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

**7. R&D Investments**

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

(Unit: in millions of Won except percentages)

| Category   | For the six months ended June |                                      |         | Remarks |
|--|-------------------------------|--------------------------------------|---------|---------|
|  | 30, 2016                      | For the year ended December 31, 2015 | 2014    |         |
| Raw material   | 347                           | 1,267                                | 530     |         |
| Labor  | 60,458                        | 68,969                               | 71,224  |         |
| Depreciation   | 64,638                        | 147,577                              | 176,975 |         |
| Commissioned service   | 23,842                        | 37,001                               | 67,802  |         |
| Others   | 20,528                        | 67,888                               | 81,221  |         |
| Total R&D costs  | 169,813                       | 322,702                              | 397,752 |         |
| Accounting   |                               |                                      |         |         |
| Sales and administrative expenses  | 168,111                       | 315,790                              | 390,943 |         |
| Development expenses (Intangible assets)                                   | 1,702                         | 6,912                                | 6,809   |         |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | 2.00%                         | 1.88%                                | 2.32%   |         |

**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 Strategy Council in charge of overseeing its systematic corporate branding operates full-time to execute decisions involving major brands and operates Brandnet, an intranet system to manage corporate

brands by providing solutions such as registering and licensing of the brands.

**B. Business-related Intellectual Property**  
**[SK Telecom]**

As of June 30, 2016, the Company holds 6,029 Korean-registered patents, 403 U.S.-registered patents, 238 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 951 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

**[SK Broadband]**

As of June 30, 2016, SK Broadband holds 419 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.

**Table of Contents**

**[SK Planet]**

As of June 30, 2016, SK Planet held 2,275 registered patents, 126 registered design marks, 1,140 registered trademarks and five copyrights (including those held jointly with other companies) in Korea. It also holds 114 U.S.-registered patents, 84 Chinese-registered patents, 66 Japanese-registered patents, 24 E.U.-registered patents (all including patents held jointly with other companies) and 241 registered trademarks, along with a number of other intellectual property rights, in other countries.

**[SK Communications]**

As of June 30, 2016, SK Communications held 92 registered patents, 26 registered design rights and 641 registered trademarks in Korea.

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

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

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

Below is the summary consolidated financial information of the Company as of June 30, 2016, December 31, 2015 and December 31, 2014 and for the six months ended June 30, 2016 and 2015 and the years ended December 31, 2015 and 2014. The Company's reviewed consolidated financial statements as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015, which are prepared in accordance with K-IFRS, are attached hereto.

|   | (Unit: in millions of Won except number of companies) |                   |                   |
|---|---|-------------------|-------------------|
|   | As of   | As of             | As of             |
|   | June 30, 2016   | December 31, 2015 | December 31, 2014 |
| <b>Assets</b>   |   |                   |                   |
| Current Assets  | 6,118,565   | 5,160,242         | 5,083,148         |
| Cash and Cash Equivalents                               | 1,099,561   | 768,922           | 834,429           |
| Accounts Receivable Trade, net                          | 2,199,983   | 2,344,867         | 2,392,150         |
| Accounts Receivable Other, net                          | 1,273,406   | 673,739           | 690,527           |
| Others  | 1,545,615   | 1,372,714         | 1,166,042         |
| Non-Current Assets                                      | 22,410,825  | 23,421,145        | 22,858,085        |
| Long-Term Investment Securities                         | 1,046,661   | 1,207,226         | 956,280           |
| Investments in Associates and Joint Ventures            | 6,929,114   | 6,896,293         | 6,298,088         |
| Property and Equipment, net                             | 9,716,070   | 10,371,256        | 10,567,701        |
| Intangible Assets, net                                  | 2,070,189   | 2,304,784         | 2,483,994         |
| Goodwill  | 1,912,065   | 1,908,590         | 1,917,595         |
| Others  | 736,726   | 732,996           | 634,427           |
| <b>Total Assets</b>                                     | <b>28,529,390</b>                                     | <b>28,581,387</b> | <b>27,941,233</b> |
| <b>Liabilities</b>                                      |   |                   |                   |
| Current Liabilities                                     | 5,219,997   | 5,256,493         | 5,420,310         |
| Non-Current Liabilities                                 | 7,941,900   | 7,950,798         | 7,272,653         |
| <b>Total Liabilities</b>                                | <b>13,161,897</b>                                     | <b>13,207,291</b> | <b>12,692,963</b> |
| <b>Equity</b>   |   |                   |                   |
| Equity Attributable to Owners of the Parent Company     | 15,218,121  | 15,251,079        | 14,506,739        |
| Share Capital   | 44,639  | 44,639            | 44,639            |
| Capital Surplus (Deficit) and Other Capital Adjustments | 191,684   | 189,510           | 277,998           |
| Retained Earnings                                       | 15,214,203  | 15,007,627        | 14,188,591        |
| Reserves  | (232,405)   | 9,303             | (4,489)           |

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|                                  |            |            |            |
|----------------------------------|------------|------------|------------|
| Non-controlling Interests        | 149,372    | 123,017    | 741,531    |
| Total Equity                     | 15,367,493 | 15,374,096 | 15,248,270 |
| Total Liabilities and Equity     | 28,529,390 | 28,581,387 | 27,941,233 |
| Number of Companies Consolidated | 38         | 37         | 40         |

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

|  | <b>For the six<br/>months ended<br/>June 30,<br/>2016</b> | <b>For the six<br/>months ended<br/>June 30,<br/>2015</b> | <b>For the<br/>year ended<br/>December 31, 2015</b> | <b>For the<br/>year ended<br/>December 31, 2014</b> |
|--|---|---|---|---|
| Operating Revenue  | 8,495,752   | 8,496,025   | 17,136,734  | 17,163,798  |
| Operating Income   | 809,491   | 815,526   | 1,708,006   | 1,825,105   |
| Profit Before Income Tax   | 1,100,874   | 1,075,605   | 2,035,365   | 2,253,828   |
| Profit for the Period  | 863,288   | 840,635   | 1,515,885   | 1,799,320   |
| Profit for the Period Attributable<br>to Owners of the Parent<br>Company | 861,982   | 840,334   | 1,518,604   | 1,801,178   |
| Profit for the Period Attributable<br>to Non-controlling Interests       | 1,306   | 301   | (2,719)   | (1,858)   |
| Basic Earnings Per Share (Won)   | 12,089  | 11,695  | 20,988  | 25,154  |
| Diluted Earnings Per Share<br>(Won)                                      | 12,089  | 11,695  | 20,988  | 25,154  |

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

Below is the summary separate financial information of the Company as of June 30, 2016, December 31, 2015 and December 31, 2014 and for the six months ended June 30, 2016 and 2015 and the years ended December 31, 2015 and 2014. The Company's reviewed separate financial statements as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015, which are prepared in accordance with K-IFRS, are attached hereto.

|   | (Unit: in millions of Won) |                   |                   |
|---|----------------------------|-------------------|-------------------|
|   | As of                      | As of             | As of             |
|   | June 30, 2016              | December 31, 2015 | December 31, 2014 |
| <b>Assets</b>                                 |                            |                   |                   |
| Current Assets                                | 3,559,993                  | 2,713,529         | 2,689,913         |
| Cash and Cash Equivalents                     | 646,221                    | 431,666           | 248,311           |
| Accounts Receivable Trade, net                | 1,520,723                  | 1,528,751         | 1,559,281         |
| Accounts Receivable Other, net                | 697,642                    | 264,741           | 305,990           |
| Others  | 695,407                    | 488,371           | 576,331           |
| Non-Current Assets                            | 19,621,845                 | 20,433,411        | 20,022,549        |
| Long-Term Investment Securities               | 756,370                    | 726,505           | 608,797           |
| Investments in Subsidiaries and Associates    | 8,759,224                  | 8,810,548         | 8,181,769         |
| Property and Equipment, net                   | 6,802,084                  | 7,442,280         | 7,705,906         |
| Intangible Assets, net                        | 1,585,409                  | 1,766,069         | 1,928,169         |
| Goodwill                                      | 1,306,236                  | 1,306,236         | 1,306,236         |
| Others  | 412,522                    | 381,773           | 291,672           |
| Total Assets                                  | 23,181,838                 | 23,146,940        | 22,712,462        |
| <b>Liabilities</b>                            |                            |                   |                   |
| Current Liabilities                           | 3,370,769                  | 3,491,306         | 3,378,046         |
| Non-Current Liabilities                       | 6,008,250                  | 5,876,174         | 5,792,195         |
| Total Liabilities                             | 9,379,019                  | 9,367,480         | 9,170,241         |
| <b>Equity</b>                                 |                            |                   |                   |
| Share Capital                                 | 44,639                     | 44,639            | 44,639            |
| Capital Surplus and Other Capital Adjustments | 371,481                    | 369,446           | 433,894           |
| Retained Earnings                             | 13,431,966                 | 13,418,603        | 12,996,790        |
| Reserves                                      | (45,267)                   | (53,228)          | 66,898            |
| Total Equity                                  | 13,802,819                 | 13,779,460        | 13,542,221        |
| Total Liabilities and Equity                  | 23,181,838                 | 23,146,940        | 22,712,462        |

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



|                                     | <b>For the six<br/>months ended<br/>June 30,<br/>2016</b> | <b>For the six<br/>months ended<br/>June 30,<br/>2015</b> | <b>For the<br/>year ended<br/>December 31, 2015</b> | <b>For the<br/>year ended<br/>December 31, 2014</b> |
|-------------------------------------|---|---|---|---|
| Operating Revenue                   | 6,190,249   | 6,277,222   | 12,556,979  | 13,012,644  |
| Operating Income                    | 908,056   | 803,916   | 1,658,776   | 1,737,160   |
| Profit Before Income Tax            | 846,130   | 698,142   | 1,469,444   | 1,321,750   |
| Profit for the Period               | 666,350   | 527,783   | 1,106,761   | 1,028,541   |
| Basic Earnings Per Share (Won)      | 9,318   | 7,301   | 15,233  | 14,262  |
| Diluted Earnings Per Share<br>(Won) | 9,318   | 7,301   | 15,233  | 14,262  |

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

Not applicable.

**B. Allowance for Doubtful Accounts**

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

(Unit: in millions of Won)

**For the six months ended June 30, 2016**

**Allowance for Doubtful**

|                           | <b>Gross amount</b> | <b>Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,480,255           | 251,843         | 10%               |
| Loans                     | 155,850             | 28,091          | 18%               |
| Accounts receivable other | 1,398,087           | 76,698          | 6%                |
| Accrued income            | 12,645              |                 | 0%                |
| Guarantee deposits        | 300,119             |                 | 0%                |
| <b>Total</b>              | <b>4,346,956</b>    | <b>356,632</b>  | <b>8%</b>         |

(Unit: in millions of Won)

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

**Allowance for**

|                           | <b>Gross amount</b> | <b>Doubtful 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>         |

(Unit: in millions of Won)

**For the year ended December 31, 2014**

**Allowance for**

|                           | <b>Gross amount</b> | <b>Doubtful Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|--------------------------|-------------------|
| Accounts receivable trade | 2,682,595           | 221,909                  | 8%                |
| Loans                     | 157,934             | 27,694                   | 18%               |

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|                           |                  |                |           |
|---------------------------|------------------|----------------|-----------|
| Accounts receivable other | 772,711          | 78,588         | 10%       |
| Accrued income            | 10,134           |                | 0%        |
| Guarantee deposits        | 289,009          |                | 0%        |
| <b>Total</b>              | <b>3,912,383</b> | <b>328,191</b> | <b>8%</b> |

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

(Unit: in millions of Won)

|  | <b>For the six<br/>months ended<br/>June 30,<br/>2016</b> | <b>For the year<br/>ended<br/>December 31, 2015</b> | <b>For the year<br/>ended<br/>December 31, 2014</b> |
|--|---|---|---|
| <b>Beginning balance</b>                       | 344,016   | 328,191   | 323,985   |
| Increase of allowance for doubtful<br>accounts | 22,643  | 75,773  | 63,697  |
| Reversal of allowance for doubtful<br>accounts | 3,409   |   |   |
| Write-offs                                     | (29,775)  | (87,798)  | (89,529)  |
| Other  | 16,339  | 27,850  | 30,039  |
| <b>Ending balance</b>                          | <b>356,632</b>  | <b>344,016</b>                                      | <b>328,191</b>                                      |

**Table of Contents**

## (3) Policies for Allowance for Doubtful Accounts

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

## (4) Aging of Accounts Receivable

(Unit: in millions of Won)

|                     |         | As of June 30, 2016   |                                   |                                    |                          |           |
|---------------------|---------|-----------------------|-----------------------------------|------------------------------------|--------------------------|-----------|
|                     |         | Six months or<br>less | From six<br>months to one<br>year | From one year<br>to three<br>years | More than<br>three years | Total     |
| Accounts receivable | general | 2,119,980             | 55,655                            | 214,108                            | 90,512                   | 2,480,255 |
| Percentage          |         | 85.5%                 | 2.2%                              | 8.6%                               | 3.7%                     | 100%      |

**C. Inventories**

## (1) Detailed Categories of Inventories

(Unit: in millions of Won)

| Account Category                          | For the six months        |  |  |
|---|---------------------------|--|--|
|   | ended<br>June 30,<br>2016 | For the year ended<br>December 31,<br>2015 | For the year ended<br>December<br>31, 2014 |
| Merchandise                               | 242,792                   | 242,230                                    | 246,738                                    |
| Goods in transit                          |                           |  |  |
| Other inventories                         | 28,079                    | 31,326                                     | 20,929                                     |
| <b>Total</b>                              | 270,871                   | 273,556                                    | 267,667                                    |
| Percentage of inventories to total assets |                           |  |  |
| [ Inventories / Total assets ]            | 0.95%                     | 0.96%                                      | 0.96%                                      |
|   | 6.45                      | 7.23                                       | 7.55                                       |

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

(2) Reporting of Inventories

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

**D. Fair Value Measurement**

See notes 4(5) to 4(7) and 4(16) of the notes to the Company's audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014 for more information.

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

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

(As of June 30, 2016)

(Unit: in millions of Won except percentages)

| Name                       | Issue Date     | Maturity       |      | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent             |
|----------------------------|----------------|----------------|------|------------------|---------------------------------|--------------------------|
|                            |                | Date           | Date |                  |                                 |                          |
| Unsecured Bond Series 54   | Sept. 12, 2006 | Sept. 12, 2016 |      | 200,000          | Sept. 4, 2006                   | Shinhan Investment Corp. |
| Unsecured Bond Series 57-2 | March 3, 2008  | March 3, 2018  |      | 200,000          | Feb. 22, 2008                   | Shinhan Investment Corp. |

|                                      |                   |   |
|--------------------------------------|-------------------|---|
| Maintenance of Financial Ratio       | Key Term          | Debt ratio no greater than 400%   |
|                                      | Compliance Status | Compliant   |
| Restriction on Liens                 | Key Term          | The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year |
|                                      | Compliance Status | Compliant   |
| Restriction on Disposition of Assets | Key Term          | Disposal of assets per fiscal year not to exceed 5 trillion won   |
|                                      | Compliance Status | Compliant   |
| Submission of Compliance Certificate | Compliance Status | Submitted on April 27, 2016   |

| Name                       | Issue Date    | Maturity      |      | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                        |
|----------------------------|---------------|---------------|------|------------------|---------------------------------|-------------------------------------|
|                            |               | Date          | Date |                  |                                 |                                     |
| Unsecured Bond Series 61-1 | Dec. 27, 2011 | Dec. 27, 2016 |      | 110,000          | Dec. 19, 2011                   | Hana Financial Investment Co., Ltd. |
| Unsecured Bond Series 61-2 | Dec. 27, 2011 | Dec. 27, 2021 |      | 190,000          | Dec. 19, 2011                   | Hana Financial Investment Co., Ltd. |

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

|                                      |                   |                             |
|--------------------------------------|-------------------|-----------------------------|
|                                      | Compliance Status | Compliant                   |
| Submission of Compliance Certificate | Compliance Status | Submitted on April 27, 2016 |

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

|                                      |                   |  |
|--------------------------------------|-------------------|--|
| Maintenance of Financial Ratio       | Key Term          | Debt ratio no greater than 300%  |
|                                      | Compliance Status | Compliant  |
| Restriction on Liens                 | Key Term          | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year |
|                                      | Compliance Status | Compliant  |
| Restriction on Disposition of Assets | Key Term          | Disposal of assets per fiscal year not to exceed 2 trillion won  |
|                                      | Compliance Status | Compliant  |
| Submission of Compliance Certificate | Compliance Status | Submitted on April 27, 2016  |

**Table of Contents**

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

|                                      |                            |  |
|--------------------------------------|----------------------------|--|
| Maintenance of Financial Ratio       | Key Term Compliance Status | Debt ratio no greater than 300% Compliant  |
| Restriction on Liens                 | Key Term Compliance Status | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year Compliant |
| Restriction on Disposition of Assets | Key Term Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion won Compliant  |
| Submission of Compliance Certificate | Compliance Status          | Submitted on April 27, 2016  |

| Name                | Series | Maturity      |               | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                   |
|---------------------|--------|---------------|---------------|------------------|---------------------------------|--------------------------------|
|                     |        | Issue Date    | Date          |                  |                                 |                                |
| Unsecured Bond 67-1 | Series | July 17, 2015 | July 17, 2018 | 90,000           | July 9, 2015                    | Korea Securities Finance Corp. |
| Unsecured Bond 67-2 | Series | July 17, 2015 | July 17, 2025 | 70,000           | July 9, 2015                    | Korea Securities Finance Corp. |



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|                        |        |               |               |        |              |                                   |
|------------------------|--------|---------------|---------------|--------|--------------|-----------------------------------|
| Unsecured Bond<br>67-3 | Series | July 17, 2015 | July 17, 2030 | 90,000 | July 9, 2015 | Korea Securities Finance<br>Corp. |
| Unsecured Bond<br>67-4 | Series | July 17, 2015 | July 17, 2030 | 50,000 | July 9, 2015 | Korea Securities Finance<br>Corp. |

**Table of Contents**

|                                      |                               |   |
|--------------------------------------|-------------------------------|---|
| Maintenance of Financial Ratio       | Key Term<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant  |
| Restriction on Liens                 | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion won<br>Compliant  |
| Submission of Compliance Certificate | Compliance Status             | Submitted on April 27, 2016   |

|                     |            | Maturity          |                   | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                   |
|---------------------|------------|-------------------|-------------------|------------------|---------------------------------|--------------------------------|
| Name                | Issue Date | Date              | Date              |                  |                                 |                                |
| Unsecured Bond 68-1 | Series     | November 30, 2015 | November 30, 2018 | 80,000           | November 18, 2015               | Korea Securities Finance Corp. |
| Unsecured Bond 68-2 | Series     | November 30, 2015 | November 30, 2025 | 100,000          | November 18, 2015               | Korea Securities Finance Corp. |
| Unsecured Bond 68-3 | Series     | November 30, 2015 | November 30, 2035 | 70,000           | November 18, 2015               | Korea Securities Finance Corp. |
| Unsecured Bond 68-4 | Series     | November 30, 2015 | November 30, 2030 | 50,000           | November 18, 2015               | Korea Securities Finance Corp. |

|                                      |                               |   |
|--------------------------------------|-------------------------------|---|
| Maintenance of Financial Ratio       | Key Term<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant  |
| Restriction on Liens                 | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of Assets | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion won<br>Compliant  |
| Submission of Compliance Certificate | Compliance Status             | Submitted on April 27, 2016   |

|                     |            | Maturity      |               | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                   |
|---------------------|------------|---------------|---------------|------------------|---------------------------------|--------------------------------|
| Name                | Issue Date | Date          | Date          |                  |                                 |                                |
| Unsecured Bond 69-1 | Series     | March 4, 2016 | March 4, 2019 | 70,000           | February 22, 2016               | Korea Securities Finance Corp. |
| Unsecured Bond 69-2 | Series     | March 4, 2016 | March 4, 2021 | 100,000          | February 22, 2016               | Korea Securities Finance Corp. |
|                     |            | March 4, 2016 | March 4, 2026 | 90,000           | February 22, 2016               |                                |

|                        |        |               |               |        |                   |                                   |
|------------------------|--------|---------------|---------------|--------|-------------------|-----------------------------------|
| Unsecured Bond<br>69-3 | Series |               |               |        |                   | Korea Securities Finance<br>Corp. |
| Unsecured Bond<br>69-4 | Series | March 4, 2016 | March 4, 2036 | 80,000 | February 22, 2016 | Korea Securities Finance<br>Corp. |

|   |                               |  |
|---|-------------------------------|--|
| Maintenance of Financial Ratio          | Key Term<br>Compliance Status | Debt ratio no greater than 300%<br>Compliant   |
| Restriction on Liens                    | Key Term<br>Compliance Status | The total amount of secured debt not to exceed 100% of<br>share capital as of the end of the previous fiscal year<br>Compliant |
| Restriction on Disposition of<br>Assets | Key Term<br>Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion<br>won<br>Compliant  |
| Submission of Compliance<br>Certificate | Compliance Status             | Submitted on April 27, 2016  |

**Table of Contents****[SK Broadband]**

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

(As of June 30, 2016)

(Unit: in millions of Won except percentages)

| Name           | Issue Date  | Maturity      |               | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                             |
|----------------|-------------|---------------|---------------|------------------|---------------------------------|--|
|                |             | Issue Date    | Date          |                  |                                 |  |
| Unsecured Bond | Series 36-3 | Jan. 19, 2012 | Jan. 19, 2017 | 100,000          | January 11, 2012                | Samsung Securities Co., Ltd.             |
| Unsecured Bond | Series 37-2 | Oct. 12, 2012 | Oct. 12, 2017 | 120,000          | October 8, 2012                 | Hanwha Investment & Securities Co., Ltd. |

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

| Name                | Issue Date | Maturity        |                 | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent                   |
|---------------------|------------|-----------------|-----------------|------------------|---------------------------------|--------------------------------|
|                     |            | Issue Date      | Date            |                  |                                 |                                |
| Unsecured Bond 38-1 | Series     | April 2, 2014   | Oct. 2, 2016    | 80,000           | March 21, 2014                  | Korea Securities Finance Corp. |
| Unsecured Bond 38-2 | Series     | April 2, 2014   | April 2, 2019   | 210,000          | March 21, 2014                  | Korea Securities Finance Corp. |
| Unsecured Bond      | Series 39  | Sept. 29, 2014  | Sept. 29, 2019  | 130,000          | Sept. 17, 2014                  | Korea Securities Finance Corp. |
| Unsecured Bond 40-1 | 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      | Series 41  | July 15, 2015   | July 15, 2020   | 140,000          | July 3, 2015                    | Korea Securities Finance Corp. |
| Unsecured Bond      | Series 42  | October 6, 2015 | October 6, 2020 | 130,000          | September 22, 2015              | Korea Securities Finance Corp. |

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

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

|  |  |  |
|--|--|--|
| <b>Six months ended June 30, 2016</b><br>KPMG Samjong Accounting Corp. | <b>Year ended December 31, 2015</b><br>KPMG Samjong Accounting Corp. | <b>Year ended December 31, 2014</b><br>KPMG Samjong Accounting Corp. |
|--|--|--|

**2. Audit Opinion (Consolidated)**

| <b>Period</b>                  | <b>Auditor s opinion</b> | <b>Issues noted</b> |
|--------------------------------|--------------------------|---------------------|
| Six months ended June 30, 2016 |                          |                     |
| Year ended December 31, 2015   | Unqualified              | N/A                 |
| Year ended December 31, 2014   | Unqualified              | N/A                 |

\* The Company s quarterly financial statements for the first and second quarters of 2016 were reviewed and nothing came to the attention of the Company s auditors that such financial statements were not presented fairly, in all material respects.

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

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

| <b>Fiscal Year</b>           | <b>Auditors</b>               | <b>Contents</b>  | <b>Fee</b> | <b>Total number of hours accumulated for the fiscal year</b> |
|------------------------------|-------------------------------|--|------------|--|
| Year ended December 31, 2016 | KPMG Samjong Accounting Corp. | Semi-annual review<br>Quarterly review<br>Separate financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and other audit task | 1,350      | 19,412   |
| Year ended December 31, 2015 | KPMG Samjong Accounting Corp. | Semi-annual review<br>Quarterly review<br>Separate financial statements audit  | 1,320      | 18,127   |

|                              |                               |  |       |        |
|------------------------------|-------------------------------|--|-------|--------|
|                              |                               | Consolidated financial statements audit                  |       |        |
|                              |                               | English financial statements review and other audit task |       |        |
| Year ended December 31, 2014 | KPMG Samjong Accounting Corp. | Semi-annual review                                       |       |        |
|                              |                               | Quarterly review   |       |        |
|                              |                               | Separate financial statements audit                      |       |        |
|                              |                               | Consolidated financial statements audit                  | 1,280 | 17,890 |
|                              |                               | English financial statements review and other audit task |       |        |

**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>duration</b>                    | <b>Service Fee</b> |
|------------------------------|----------------------|---------------------------------------|------------------------------------|--------------------|
| Six months ended June, 2016  | May 10, 2016         | Confirmation of financial information | May 10-May 12, 2016                | 2                  |
| Year ended December 31, 2015 | January 9, 2015      | Audit of public WiFi                  | January 9-January 23, 2015         | 85                 |
|                              | September 30, 2015   | Confirmation of debt ratio            | September 30, 2015-October 5, 2015 | 30                 |
|                              | November 9, 2015     | Audit of public WiFi                  | 9-November 30, 2015                | 102                |
| Year ended December 31, 2014 | March 18, 2014       | Due diligence of assets               | March 18-April 2, 2014             | 50                 |
|                              | May 28, 2014         | Tax advice                            | May 28-September 23, 2014          | 42                 |
|                              | June 12, 2014        | Review of revised local tax laws      | June 12-July14, 2014               | 22                 |

**4. Change of Independent Auditors**

Not applicable.



**Table of Contents**

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

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

Table of Contents**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 and two inside directors. Within the Board, there are five committees: Independent Director Nomination Committee, Audit Committee, Compensation Committee, CapEx Review Committee, and Corporate Citizenship Committee.

(As of June 30, 2016)

**Total number  
of persons**

|   | <b>Inside directors</b>     | <b>Independent directors</b>                               |
|---|-----------------------------|--|
| 6 | Dong Hyun Jang, Dae Sik Cho | Jay Young Chung, Dae Shick Oh, Jae Hoon Lee, Jae Hyeon Ahn |

At the 32nd General Meeting of Shareholders held on March 18, 2016, Dae Sik Cho and Dae Shick Oh were re-elected as an inside director and an independent director, respectively.

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

| <b>Meeting</b>                     | <b>Date</b>      | <b>Agenda</b>  | <b>Approval</b>      |
|------------------------------------|------------------|--|----------------------|
|                                    |                  | - Approval of the spin-off and merger of SK Planet's location-based services business and other businesses   | Approved as proposed |
| 384th<br>(the 1st meeting of 2016) | January 25, 2016 | - Plan regarding designation of record date and closing period of the register of shareholders related to dissenting opinions in small-scale spin-offs and mergers | Approved as proposed |
|                                    |                  | - Transactions of goods, services and assets with SK Planet in 2016  | Approved as proposed |
|                                    |                  | - Financial statements as of and for the year ended December 31, 2015  | Approved as proposed |

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|                                    |                   |  |                      |
|------------------------------------|-------------------|--|----------------------|
|                                    |                   | - Annual business report as of and for the year ended December 31, 2015          | Approved as proposed |
|                                    |                   | - Delegation of funding through long-term borrowings in 2016                     | Approved as proposed |
|                                    |                   | - Lease contract with SK Broadband   | Approved as proposed |
|                                    |                   | - Report of internal accounting management                                       |                      |
|                                    |                   | - Report for the period after the fourth quarter of 2015                         |                      |
| 386th<br>(the 3rd meeting of 2016) | February 18, 2016 | - Convocation of the 32nd General Meeting of Shareholders                        | Approved as proposed |
|                                    |                   | - Report of internal accounting management                                       |                      |
| 387th<br>(the 4th meeting of 2016) | March 2, 2016     | - Approval of the spin-off and merger contract with SK Planet                    | Approved as proposed |
| 388th<br>(the 5th meeting of 2016) | March 18, 2016    | - Additional investment in Oneand Co., Ltd.                                      | Approved as proposed |
|                                    |                   | - Election of the chairman of the Board of Directors                             | Approved as proposed |
|                                    |                   | - Election of committee members  | Approved as proposed |
|                                    |                   | - Additional procurement of LTE frequency bands                                  | Approved as proposed |
|                                    |                   | - Transactions with SK Holdings in the second quarter of 2016                    | Approved as proposed |
|                                    |                   | - Transactions regarding corporate bonds with affiliated company (SK Securities) | Approved as proposed |

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|                                    |               |  |                      |
|------------------------------------|---------------|--|----------------------|
|                                    |               | - Financial transactions with affiliated company (SK Securities)         | Approved as proposed |
| 389th<br>(the 6th meeting of 2016) | April 5, 2016 | - Notice relating to the spin-off and merger transactions with SK Planet | Approved as proposed |

**Table of Contents**

| <b>Meeting</b>                     | <b>Date</b>    | <b>Agenda</b>   | <b>Approval</b>      |
|------------------------------------|----------------|---|----------------------|
| 390th<br>(the 7th meeting of 2016) | April 28, 2016 | - Provision of funds for management of the 2016 SUPEX meeting                                       | Approved as proposed |
|                                    |                | - Report for the period after the first quarter of 2016   |                      |
| 391st<br>(the 8th meeting of 2016) | May 20, 2016   | - Payment of newly allocated LTE frequency bandwidths   | Approved as proposed |
|                                    |                | - Application for reallocation of the 2.1GHz frequency bandwidth                                    | Approved as proposed |
|                                    |                | - Transactions with SK Holdings in the third quarter of 2016  | Approved as proposed |
|                                    |                | - Transactions with SK China Investment Management Company Limited                                  | Approved as proposed |
| 392nd<br>(the 9th meeting of 2016) | June 23, 2016  | - Allocation of operating costs in 2016 relating to the strategy and technology planning department | Approved as proposed |
|                                    |                | - Transactions regarding corporate bonds with affiliated company (SK Securities)                    | Approved as proposed |
|                                    |                | - Financial transactions with affiliated company (SK Securities)                                    | Approved as proposed |
|                                    |                | - Additional capital expenditure plans for LTE network in 2016                                      |                      |

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

**C. Committees within Board of Directors**

(1) Committee structure (as of June 30, 2016)

(a) Compensation Review Committee

| Total number of persons | Members          |  | Task                                      |
|-------------------------|------------------|--|---|
|                         | Inside Directors | Independent Directors                        |   |
| 3                       |                  | Jay Young Chung, Dae Shick Oh, Jae Hyeon Ahn | Review CEO remuneration system and amount |

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

(b) Capex Review Committee

| Total number of persons | Members          |  | Task  |
|-------------------------|------------------|--|---|
|                         | Inside Directors | Independent Directors                                      |   |
| 4                       |                  | Jay Young Chung, Dae Shick Oh, Jae Hoon Lee, Jae Hyeon Ahn | Review major investment plans and changes thereto |

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

(c) Corporate Citizenship Committee

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

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

(d) Independent Director Nomination Committee

| Total number of persons | Members          |                               | Task                                |
|-------------------------|------------------|-------------------------------|-------------------------------------|
|                         | Inside Directors | Independent Directors         |                                     |
| 3                       | Dong Hyun Jang   | Jay Young Chung, Dae Shick Oh | Nomination of independent directors |

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



**Table of Contents**

(e) Audit Committee

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

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

**2. Audit System**

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

Major activities of the Audit Committee as of June 30, 2016 are set forth below.

| Meeting                 | Date             | Agenda   | Approval             |
|-------------------------|------------------|--|----------------------|
| The 1st meeting of 2016 | February 2, 2016 | - Report of internal accounting management system  |                      |
|                         |                  | - Review of business and audit results for the second half of 2015 and business and audit plans for 2016 |                      |
|                         |                  | - Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee  | Approved as proposed |
|                         |                  | - Construction of fixed-line and wireless networks in 2016   | Approved as proposed |
|                         |                  | - Contract for payment of customer appreciation gifts in 2016  | Approved as proposed |
|                         |                  | - Service contract with SKTCH  | Approved as proposed |
|                         |                  | - Report on the IFRS audit of fiscal year 2015   |                      |



|                         |                |   |                      |
|-------------------------|----------------|---|----------------------|
|                         |                | - Report on review of 2015 internal accounting management system                                      |                      |
|                         |                | - Evaluation of internal accounting management system operation                                       | Approved as proposed |
|                         |                | - Agenda and document review for the 32nd General Meeting of Shareholders                             | Approved as proposed |
|                         |                | - Auditor's report for fiscal year 2015   | Approved as proposed |
| The 3rd meeting of 2016 | March 17, 2016 | - Changes in a contract for maintenance services of transmission equipment and optical cables in 2016 | Approved as proposed |
|                         |                | - Contract for maintenance services of transmission equipment in 2016                                 | Approved as proposed |
|                         |                | - Election of the chairman  | Approved as proposed |
| The 4th meeting of 2016 | April 27, 2016 | - Purchase of supplies from Happynarae Co., Ltd.  | Approved as proposed |
|                         |                | - Remuneration for outside auditor for fiscal year 2016   | Approved as proposed |
|                         |                | - Outside auditor service plan for fiscal year 2016   | Approved as proposed |
|                         |                | - Audit plan for fiscal year 2016   |                      |

\* 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.

| <b>Articles of Incorporation</b>  | <b>Description</b>  |
|---|---|
| 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. |   |

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

(As of June 30, 2016)

(Unit: in shares and percentages)

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

**B. Overview of the Largest Shareholder**

As of June 30, 2016, the Company's largest shareholder was SK Holdings Co., Ltd. ( SK Holdings ) with 20,363,452 shares (25.22%) of the Company. SK Holdings was established on April 13, 1991 and was made public on the securities market for the first time under the name SK C&C Co., Ltd. on November 11, 2009. On August 3, 2015, SK Holdings merged with and into SK C&C and the merged entity was renamed SK Holdings. The main business of SK Holdings includes managing its subsidiaries as a holding company, IT services, security services and logistics services, among others.

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

Changes in shareholdings of the largest shareholder are as follows:

(As of June 30, 2016)

(Unit: in shares and percentages)

| <b>Largest Shareholder</b> | <b>Date of the change in the largest shareholder/<br/>Date of change in shareholding</b> | <b>Shares Held</b> | <b>Holding Ratio</b> | <b>Remarks</b>   |
|----------------------------|--|--------------------|----------------------|--|
| 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   |

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

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

(As of June 30, 2016)

(Unit: in shares and percentages)

| Rank   | Name (title)             | Number of shares | Common share    |  | Remarks         |
|--|--------------------------|------------------|-----------------|--|-----------------|
|  |                          |                  | Ownership ratio |  |                 |
| 1  | Citibank ADR             | 8,778,468        | 10.87           |  |                 |
| 2  | SK Holdings              | 20,363,452       | 25.22           |  |                 |
| 3  | SK Telecom               | 10,136,551       | 12.55           |  | Treasury shares |
| 4  | National Pension Service | 6,761,879        | 8.37            |  |                 |
| Shareholdings under the Employee Stock Ownership Program |                          | 67               | 0.00            |  |                 |

**B. Shareholder Distribution**

(As of June 30, 2016)

(Unit: in shares and percentages)

| Classification               | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------|------------------------|-----------|------------------|-----------|---------|
| Total minority shareholders* | 63,607                 | 99.9%     | 34,703,883       | 42.98%    |         |

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

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

(Unit: in Won and shares)

| Types                      |         | June 2016 | May 2016  | April 2016 | March 2016 | February 2016 | January 2016 |
|----------------------------|---------|-----------|-----------|------------|------------|---------------|--------------|
| Common stock               | Highest | 221,500   | 222,000   | 211,000    | 223,000    | 233,500       | 210,500      |
|                            | Lowest  | 208,500   | 209,000   | 201,500    | 207,500    | 204,500       | 193,000      |
|                            | Average | 213,881   | 213,025   | 205,825    | 213,818    | 218,861       | 203,650      |
| Daily transaction volume   | Highest | 380,552   | 399,830   | 384,732    | 385,725    | 1,126,589     | 348,930      |
|                            | Lowest  | 75,945    | 52,430    | 96,265     | 71,671     | 102,889       | 77,348       |
| Monthly transaction volume |         | 3,347,201 | 2,674,439 | 3,296,402  | 3,866,625  | 4,561,480     | 4,349,859    |

**B. Foreign Securities Market**

**New York  
Stock  
Exchange**

(Unit: in U.S. dollars and number of American Depositary Receipts)

| Types                             |                | March      |            |            |            |               |              |
|-----------------------------------|----------------|------------|------------|------------|------------|---------------|--------------|
|                                   |                | June 2016  | May 2016   | April 2016 | 2016       | February 2016 | January 2016 |
| <b>Depository receipt</b>         | <b>Highest</b> | 21.08      | 20.83      | 20.48      | 20.98      | 20.82         | 19.99        |
|                                   | <b>Lowest</b>  | 19.60      | 19.47      | 19.27      | 19.60      | 18.78         | 17.89        |
|                                   | <b>Average</b> | 20.29      | 20.01      | 19.74      | 20.26      | 19.64         | 18.92        |
| <b>Daily transaction volume</b>   | <b>Highest</b> | 1,161,177  | 1,940,353  | 1,655,112  | 1,080,598  | 1,194,211     | 1,279,531    |
|                                   | <b>Lowest</b>  | 259,773    | 307,678    | 391,518    | 275,174    | 341,417       | 368,941      |
| <b>Monthly transaction volume</b> |                | 12,857,856 | 13,729,657 | 21,103,195 | 12,929,342 | 13,790,441    | 14,437,399   |

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

(As of June 30, 2016)

(Unit: in persons and millions of Won)

| Business segment | Gender | Number of employees                          |   |              | Total       | Aggregate wage       |   |
|------------------|--------|--|---|--------------|-------------|----------------------|---|
|                  |        | Employees without a fixed term of employment | Employees with a fixed term of employment | Part-time    |             | Average service year | Average wage for the first half of 2016 |
|                  | Male   | 3,645  | 130                                       | 3,775        | 12.3        | 258,136              | 70                                      |
|                  | Female | 550  | 76  | 626          | 9.5         | 29,263               | 49                                      |
| <b>Total</b>     |        | <b>4,195</b>                                 | <b>206</b>                                | <b>4,401</b> | <b>11.9</b> | <b>287,399</b>       | <b>67</b>                               |

\* Based on Section 9-1-2 (Employee Status) of the Corporate Disclosure Guidelines (amended as of February 2015).

\* Average wage per person was calculated based on the average number of employees for the six months ended June 30, 2016 (Total: 4,262, Male: 3,670 Female: 592)

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

(As of June 30, 2016)

(Unit: in millions of Won)

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

**B. Amount Paid**

(As of June 30, 2016)

(Unit: in millions of Won)

| Classification          | Number of Directors | Aggregate Amount Paid | Amount Paid Per Director |
|-------------------------|---------------------|-----------------------|--------------------------|
| Insider Directors       | 2                   | 1,373                 | 687                      |
| Independent Directors   | 1                   | 39                    | 39                       |
| Audit Committee Members | 3                   | 117                   | 39                       |
| <b>Total</b>            | <b>6</b>            | <b>1,529</b>          |                          |

**3. Individual Compensation of Directors**

**A. Amount Paid**

(As of December 31, 2015)

(Unit: in millions of Won)

| <b>Name</b>    | <b>Title</b>    | <b>Aggregate Amount Paid</b> |
|----------------|-----------------|------------------------------|
| Dong Hyun Jang | Inside director | 1,045                        |

\* Excluding amounts contributed to provision for retirement income.



**Table of Contents**

**B. Method of Calculation**

Name

Dong Hyun Jang

Method of calculation

Total remuneration

Won 1,045 million (consisting of Won 285 million in salary, Won 757 million in bonus and Won 3 million in long-term employment bonus).

Did not receive any retirement income.

Salary

Annual salary is set within the executive compensation limit established by the board of directors and reflects the relevant position of the director.

Annual salary is equally divided and paid on a monthly basis.

Bonus

Bonus is awarded based on performance in the previous year and is composed of target incentive payments and profit sharing payments.

Bonus in the range of 0 to 200% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as leadership, meeting the Company's strategy plans, expertise and other contributions.

Financial indicators: For the year ended December 31, 2015, the Company met its financial targets with revenue of Won 17.1 trillion and operating profit of Won 1.7 trillion.

Non-financial indicators: Mr. Jang contributed to the Company's market leadership position despite intensified competition in the industry (maintaining number one position in the industry by National Customer Satisfaction Index for the previous 18 years as well as by Korea Standard Service Quality Index and Korean Customer Satisfaction Index and being first to commercialize L4 technology globally) and enhanced mid-to-long term sustainability by establishing the foundation of its growth business areas of IoT solutions, lifestyle enhancement and advanced media platforms.

**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 | 1,017          |                   | 1,017            |         |

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

None.

**3. Transactions with the Largest Shareholder**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction period               | Transaction items              | Transaction amount |
|-----------------------|--------------|------------|----------------------------------|--------------------------------|--------------------|
|                       |              |            |                                  |                                |                    |
| SK Broadband          | Affiliate    | Purchases  | January 1, 2016 to June 30, 2016 | Interconnection revenues, etc. | 315,034            |

**4. Related Party Transactions**

See note 34 of the notes to the Company's consolidated financial statements attached hereto for more information regarding related party transactions.

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category | Change details |                   | Accrued interest | Remarks |
|-----------------------|--------------|------------------|----------------|-------------------|------------------|---------|
|                       |              |                  | Beginning      | Increase/Decrease |                  |         |

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|                             |          |                                |        |        |          |        |
|-----------------------------|----------|--------------------------------|--------|--------|----------|--------|
| Baekmajang and others       | Agency   | Long-term and short-term loans | 58,602 | 99,377 | (85,379) | 72,601 |
| Daehan Kanggun BCN Inc.     | Investee | Long-term loans                | 22,147 |        |          | 22,147 |
| Wave City Development, Inc. | Investee | Short-term loans               | 1,890  | 1,100  | (1,700)  | 1,290  |

**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. Status and Progress of Major Management Events**

| <b>Date</b>   | <b>Resolution</b>   | <b>Description</b>   | <b>Status</b>  |
|---------------|---|--|--|
| July 28, 2016 | Acquisition of other company shares and investment securities | 1. Issuing company: CJ HelloVision   | SK Broadband terminated 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. |
|               |   | 2. Expected acquisition: 23,234,060 common shares (30.0%)  |  |
|               |   | 3. Amount to be paid: Won 500 billion  |  |
|               |   | 4. Acquisition Method: cash  |  |
|               |   | 5. Purpose of acquisition: To secure position as the next generation media platform provider through merger with subsidiary SK Broadband |  |

**B. Summary Minutes of the General Meeting of Shareholders**

| <b>Date</b> | <b>Agenda</b>  | <b>Resolution</b>                             |
|-------------|--|---|
|             | 1. Approval of the financial statements for the year ended December 31, 2013 | Approved (Cash dividend, Won 8,400 per share) |
|             | 2. Amendments to Articles of Incorporation                                   | Approved                                      |
|             | 3. Election of directors   |   |

|  |  |   |
|--|--|---|
|  | - Election of an inside director   | Approved (Sung Min Ha)                        |
|  | - Election of an independent director  | Approved (Jay Young Chung)                    |
|  | - Election of an independent director  | Approved (Jae Hoon Lee)                       |
|  | - Election of an independent director  | Approved (Jae Hyeon Ahn)                      |
|  | 4. Election of an independent director as Audit Committee member             | Approved (Jae Hyeon Ahn)                      |
|  | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                     |
|  | 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                                      |
| 31st Fiscal Year Meeting of Shareholders<br>(March 20, 2015) | 3. Election of directors   |   |
|  | - Election of an inside director   | Approved (Dong Hyun Jang)                     |
|  | 4. Election of an independent director as Audit Committee member             | Approved (Jae Hoon Lee)                       |
|  | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                     |
|  | 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   |   |

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- Election of an inside director                      Approved (Dae Sik Cho)
  
- Election of an independent director              Approved (Dae Shick Oh)
  
- 4. Election of an independent director as Audit      Approved (Dae Shick Oh)  
    Committee member
  
- 5. Approval of remuneration limit for directors      Approved (Won 12 billion)
  
- 6. Amendments to executive payroll regulations      Approved

**Table of Contents****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 Matters**

None.

**[SK Broadband]****A. Material Legal Proceedings****(1) SK Broadband as the plaintiff**

None.

**(2) SK Broadband as the defendant**

(Unit: in thousands of Won)

| <b>Description of Proceedings</b>                   | <b>Date of Commencement of Proceedings</b> | <b>Amount of Claim</b> | <b>Status</b>                 |
|---|--|------------------------|-------------------------------|
| Damages claim by Mag Telecom Co., Ltd. and 7 others | January 2012                               | 3,560,465              | Pending before district court |
| Others  |  | 309,150                |                               |
| <b>Total</b>  |  | <b>3,869,615</b>       |                               |

The Company does not believe that the outcome of any of the proceedings in which SK Broadband is named as a defendant will have a material effect on the Company's financial statements.

## **B. Other Contingent Liabilities**

### **(1) Pledged assets and covenants**

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 1.1 billion to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 7.4 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 15.9 billion to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

SK Broadband has entered into revolving credit facilities with a limit of Won 100 billion with Shinhan Bank and one other financial institution in relation to the Company's loans.

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

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



**Table of Contents****[SK Planet]****A. Material Legal Proceedings**

As of June 30, 2016, there were eight pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claim was Won 117.8 million. The management cannot reasonably forecast the outcome of this case and no amount in connection with this proceeding was recognized on the Company's financial statements.

**B. Other Contingent Liabilities**

None.

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

As of June 30, 2016, the aggregate amount of claims was Won 1.1 billion. The Company successfully defended some but not all suits relating to a leak of personal information of subscribers of NATE. Relevant proceedings remain pending at various courts in Korea. The management cannot reasonably forecast the outcome of the pending proceedings, and as a result, adjustments were not made in the financial statements of the Company. The Company does not believe that the outcome of any of the proceedings in which SK Communications is named as a defendant will have a material effect on the Company's financial statements.

**B. Other Contingent Liabilities**

The material payment guarantees provided by third parties to SK Communications as of June 30, 2016 are set forth in the table below.

| (Unit: in thousands of Won) |   |           |
|-----------------------------|---|-----------|
| Financial Institution       | Guarantee   | Amount    |
| Seoul Guarantee             | Prepaid coverage payment guarantee                | 700,000   |
| Insurance Company           | Provisional deposit guarantee insurance for bonds | 190,000   |
|                             | Provisional attachment of real estate             | 118,000   |
| Total                       |   | 1,008,000 |

**3. Status of sanctions, etc.****[SK Telecom]**

On July 4, 2012, the Fair Trade Commission issued correctional orders and imposed fines on the Company and seven affiliated companies for alleged unfair advantage provided to SK C&C, an affiliated company, in services fees for

information technology system management and operation. The Company and SK Planet were imposed fines of Won 25,042 million and Won 1,349 million, respectively. The Company and the seven affiliated companies appealed the orders and on May 14, 2014, won the suit at the Seoul High Court. The Fair Trade Commission appealed the decision, and on March 10, 2016, the Supreme Court of Korea ruled in favor of the Company.

On December 27, 2013, the Korea Communications Commission imposed on the Company a fine of Won 56.0 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 January 2014.

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

**Table of Contents**

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

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

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

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

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

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

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

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

**Table of Contents**

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.

**[SK Broadband]**

(1) 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 ordinance 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

(2) 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 ordinance 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.

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

Date: July 11, 2014

Sanction: SK Broadband received a correctional order (relating to the failure to notify consumers of information relating to cancellations of purchases) and a fine of Won 1 billion.

Reason and the Relevant Law: Violated Article 13 of the Act on Consumer Protection in Electronic Commerce by not having notified consumers of the procedures for cancellation of purchases for paid IPTV contents.

**Table of Contents**

Status of Implementation: Implemented voluntary improvements to notify consumers of cancellation procedures for such purchase prior to a decision by the Fair Trade Commission.

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

(4) Violation of the Act on Facilitation of the Use of Information Network and Protection of Information

Date: June 16, 2014

Sanction: SK Broadband was imposed a fine of Won 3 million.

Reason and the Relevant Law: Violated Articles 59 and 76 of the Act on Facilitation of the Use of Information Network and Protection of Information and Article 76 of the Enforcement Decree of the Act by not having designated proper contacts for the users of telecommunications billing services to raise objections and protect rights and interests of the users and by not having provided the contact information on the Internet or other means of communication.

Status of Implementation: Paid the fine, designated contact persons for user protection of telecommunications billing services, provided contact information on the Company's website, and paid the fine.

Company's Plan: Designate contact persons for user protection of telecommunications billing services and provide contact information to users.

**[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

**[SK Telink]**

(1) Violation of the Telecommunications Business Act

Date: February 4, 2016

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

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



**Table of Contents**

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.

(2) 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.

**4. Important Matters That Occurred After June 30, 2016**

**[SK Telecom]**

The Company terminated the share purchase agreement with CJ O Shopping and SK Broadband terminated the merger agreement with CJ HelloVision, 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.

**[SK Broadband]**

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.

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

Not applicable.

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

(As of June 30, 2016)

(Unit: in millions of Won)

| Classification     | Closing Date  | Proceeds | Planned Use of Proceeds                             | Actual Use                      | Reasons    |
|--------------------|---------------|----------|---|---------------------------------|------------|
|                    |               |          |   | of Proceeds                     | for Change |
| Convertible Bonds* | April 7, 2009 | 437,673  | Refinancing of convertible bonds issued in May 2004 | Refinancing and working capital |            |

\* In 2013, holders exercised their conversion rights with respect to an aggregate principal amount of US\$326,023,000 of the convertible notes. The Company delivered 1,241,337 treasury shares in respect of US\$170,223,000 of the exercised aggregate principal amount and delivered cash in respect of the remainder due to the limit on foreign ownership. In connection with such conversion, the Company recognized Won 135.1 billion in financial expenses in 2013. On November 13, 2013, the Company exercised its early redemption right and on December 13, 2013, redeemed the US\$6,505,000 principal amount of convertible notes not converted by noteholders.

**Table of Contents**

SIGNATURES

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

**SK Telecom Co., Ltd.**

(Registrant)

By: /s/ Sung Hyung Lee  
(Signature)

Name: Sung Hyung Lee  
Title: Senior Vice President

Date: September 19, 2016

**Table of Contents**

**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**June 30, 2016 and 2015**

(With Independent Auditors' Review Report Thereon)

**Table of Contents**

Contents

|   | <b>Page</b> |
|---|-------------|
| <b><u>Independent Auditors' Review Report</u></b>                   | 1           |
| <u>Condensed Separate Statements of Financial Position</u>          | 3           |
| <u>Condensed Separate Statements of Income</u>                      | 5           |
| <u>Condensed Separate Statements of Comprehensive Income</u>        | 6           |
| <u>Condensed Separate Statements of Changes in Equity</u>           | 7           |
| <u>Condensed Separate Statements of Cash Flows</u>                  | 8           |
| <u>Notes to the Condensed Separate Interim Financial Statements</u> | 10          |

**Table of Contents**

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

**Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of June 30, 2016, the related condensed separate statements of income and comprehensive income for the three and six-month periods ended June 30, 2016 and 2015, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015, 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*.

**Table of Contents**

**Other matters**

The separate statement of finance position of the Company as of December 31, 2015, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2016, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2015, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

August 5, 2016

This report is effective as of August 5, 2016, 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 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.

**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of June 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>                | <i>Note</i>   | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--|---------------|--------------------------|------------------------------|
| <b>Assets:</b>                             |               |                          |                              |
| <b>Current Assets:</b>                     |               |                          |                              |
| Cash and cash equivalents                  | 26,27         | ₩ 646,221                | 431,666                      |
| Short-term financial instruments           | 4,26,27       | 107,500                  | 121,500                      |
| Short-term investment securities           | 6,26,27       | 322,494                  | 92,262                       |
| Accounts receivable trade, net             | 5,26,27,28    | 1,520,723                | 1,528,751                    |
| Short-term loans, net                      | 5,26,27,28    | 59,011                   | 47,741                       |
| Accounts receivable other, net             | 5,26,27,28,31 | 697,642                  | 264,741                      |
| Prepaid expenses                           |               | 89,963                   | 92,220                       |
| Inventories, net                           |               | 36,534                   | 45,991                       |
| Advanced payments and other                | 5,6,26,27     | 79,905                   | 88,657                       |
| <b>Total Current Assets</b>                |               | <b>3,559,993</b>         | <b>2,713,529</b>             |
| <b>Non-Current Assets:</b>                 |               |                          |                              |
| Long-term financial instruments            | 4,26,27       | 10,062                   | 10,062                       |
| Long-term investment securities            | 6,26,27       | 756,370                  | 726,505                      |
| Investments in subsidiaries and associates | 7             | 8,759,224                | 8,810,548                    |
| Property and equipment, net                | 8,28          | 6,802,084                | 7,442,280                    |
| Goodwill                                   | 9             | 1,306,236                | 1,306,236                    |
| Intangible assets, net                     | 10            | 1,585,409                | 1,766,069                    |
| Long-term loans, net                       | 5,26,27,28    | 37,075                   | 35,080                       |
| Long-term receivables - other              | 5,26,27,28,31 | 45,498                   |                              |
| Long-term prepaid expenses                 |               | 28,692                   | 29,802                       |
| Guarantee deposits                         | 5,26,27,28    | 166,320                  | 166,656                      |
| Long-term derivative financial assets      | 15,26,27      | 124,626                  | 139,923                      |
| Other non-current assets                   |               | 249                      | 250                          |
| <b>Total Non-Current Assets</b>            |               | <b>19,621,845</b>        | <b>20,433,411</b>            |
| <b>Total Assets</b>                        |               | <b>₩ 23,181,838</b>      | <b>23,146,940</b>            |

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





**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of June 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>                               | <i>Note</i>     | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|-----------------|--------------------------|------------------------------|
| <b>Liabilities and Shareholders Equity:</b>               |                 |                          |                              |
| <b>Current Liabilities:</b>                               |                 |                          |                              |
| Short-term borrowings                                     | <i>11,26,27</i> | ₩                        | 230,000                      |
| Current installments of long-term debt, net               | <i>11,26,27</i> | 679,117                  | 592,637                      |
| Current installments of long-term payables other          | <i>12,26,27</i> | 116,079                  | 120,185                      |
| Accounts payable other                                    | <i>26,27,28</i> | 961,191                  | 927,170                      |
| Withholdings  | <i>26,27</i>    | 629,790                  | 607,690                      |
| Accrued expenses  | <i>26,27</i>    | 550,100                  | 540,770                      |
| Income tax payable  | <i>24</i>       | 319,092                  | 375,189                      |
| Unearned revenue  |                 | 1,688                    | 10,014                       |
| Derivative financial liabilities                          | <i>15,26,27</i> | 15,370                   |                              |
| Provisions  | <i>13</i>       | 31,086                   | 37,551                       |
| Receipts in advance                                       |                 | 67,256                   | 50,100                       |
| <b>Total Current Liabilities</b>                          |                 | <b>3,370,769</b>         | <b>3,491,306</b>             |
| <b>Non-Current Liabilities:</b>                           |                 |                          |                              |
| Debentures, excluding current installments, net           | <i>11,26,27</i> | 5,282,937                | 5,033,495                    |
| Long-term borrowings, excluding current installments, net | <i>11,26,27</i> | 65,656                   | 72,554                       |
| Long-term payables other                                  | <i>12,26,27</i> | 440,841                  | 550,964                      |
| Long-term unearned revenue                                |                 | 2,643                    | 2,768                        |
| Defined benefit liabilities                               | <i>14</i>       | 23,788                   | 4,006                        |
| Long-term derivative financial liabilities                | <i>15,26,27</i> | 71,088                   | 89,296                       |
| Long-term provisions                                      | <i>13</i>       | 26,682                   | 20,055                       |
| Deferred tax liabilities                                  | <i>24</i>       | 45,956                   | 56,274                       |
| Other non-current liabilities                             | <i>26,27</i>    | 48,659                   | 46,762                       |
| <b>Total Non-Current Liabilities</b>                      |                 | <b>6,008,250</b>         | <b>5,876,174</b>             |
| <b>Total Liabilities</b>                                  |                 | <b>9,379,019</b>         | <b>9,367,480</b>             |
| <b>Shareholders Equity:</b>                               |                 |                          |                              |
| Share capital   | <i>1,16</i>     | 44,639                   | 44,639                       |
| Capital surplus and others                                | <i>16,17,18</i> | 371,481                  | 369,446                      |
| Retained earnings   | <i>19</i>       | 13,431,966               | 13,418,603                   |
| Reserves  | <i>20</i>       | (45,267)                 | (53,228)                     |

|  |                     |                   |
|--|---------------------|-------------------|
| <b>Total Shareholders Equity</b>                 | <b>13,802,819</b>   | <b>13,779,460</b> |
| <b>Total Liabilities and Shareholders Equity</b> | <b>₩ 23,181,838</b> | <b>23,146,940</b> |

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

**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 2016 and 2015

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

|  | Note | June 30, 2016            |                        | June 30, 2015            |                        |
|--|------|--------------------------|------------------------|--------------------------|------------------------|
|  |      | Three-month period ended | Six-month period ended | Three-month period ended | Six-month period ended |
| <b>Operating revenue:</b>                          | 28   |                          |                        |                          |                        |
| Revenue  |      | ₩ 3,091,988              | 6,190,249              | 3,143,766                | 6,277,222              |
| <b>Operating expenses:</b>                         | 28   |                          |                        |                          |                        |
| Labor  |      | 161,832                  | 334,817                | 249,706                  | 423,033                |
| Commissions  |      | 1,140,041                | 2,358,319              | 1,228,049                | 2,571,119              |
| Depreciation and amortization                      |      | 547,735                  | 1,090,181              | 531,639                  | 1,056,576              |
| Network interconnection                            |      | 189,188                  | 382,473                | 182,446                  | 352,367                |
| Leased line  |      | 91,922                   | 180,554                | 85,383                   | 181,586                |
| Advertising  |      | 48,548                   | 75,606                 | 58,398                   | 91,028                 |
| Rent   |      | 107,321                  | 211,868                | 95,663                   | 193,593                |
| Cost of products that have been resold             |      | 123,131                  | 243,026                | 110,599                  | 224,108                |
| Others   | 21   | 204,065                  | 405,349                | 205,793                  | 379,896                |
|  |      | 2,613,783                | 5,282,193              | 2,747,676                | 5,473,306              |
| <b>Operating income</b>                            |      | <b>478,205</b>           | <b>908,056</b>         | <b>396,090</b>           | <b>803,916</b>         |
| Finance income                                     | 23   | 20,614                   | 127,830                | 19,735                   | 82,519                 |
| Finance costs                                      | 23   | (60,404)                 | (123,643)              | (67,890)                 | (133,598)              |
| Other non-operating income                         | 22   | 8,429                    | 37,328                 | 3,737                    | 6,969                  |
| Other non-operating expenses                       | 22   | (18,770)                 | (55,823)               | (32,291)                 | (61,664)               |
| Loss on investments in subsidiaries and associates | 7    | (47,618)                 | (47,618)               |                          |                        |
| <b>Profit before income tax</b>                    |      | <b>380,456</b>           | <b>846,130</b>         | <b>319,381</b>           | <b>698,142</b>         |
| Income tax expense                                 | 24   | 96,313                   | 179,780                | 87,384                   | 170,359                |
| <b>Profit for the period</b>                       |      | <b>₩ 284,143</b>         | <b>666,350</b>         | <b>231,997</b>           | <b>527,783</b>         |
| <b>Earnings per share:</b>                         | 25   |                          |                        |                          |                        |
| Basic and diluted earnings per share (in won)      |      | ₩ 3,905                  | 9,318                  | 3,135                    | 7,301                  |

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

**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2016 and 2015

*(In millions of won)*

|  | <i>Note</i> | June 30, 2016                  |                           | June 30, 2015                  |                           |
|--|-------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|  |             | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <b>Profit for the period</b>   |             | ₩ 284,143                      | 666,350                   | 231,997                        | 527,783                   |
| <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   | 14          | (2,188)                        | (9,085)                   | (410)                          | (2,453)                   |
| <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                 | 20          | (32,907)                       | 15,802                    | (28,520)                       | (53,569)                  |
| Net change in unrealized fair value of derivatives   | 15,20       | 5,322                          | (7,841)                   | (24,802)                       | (15,402)                  |
| <b>Other comprehensive loss for the period, net of taxes</b>                               |             | <b>(29,773)</b>                | <b>(1,124)</b>            | <b>(53,732)</b>                | <b>(71,424)</b>           |
| <b>Total comprehensive income</b>  |             | ₩ <b>254,370</b>               | <b>665,226</b>            | <b>178,265</b>                 | <b>456,359</b>            |

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

**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the six-month periods ended June 30, 2016 and 2015

*(in millions of won)*

|                                      | Share capital | Paid-in surplus | Treasury stock | Capital surplus and others<br>Loss on disposal of treasury stock | Hybrid bond | Other     | Sub-total | Retained earnings | Reserves | Total equity |
|--------------------------------------|---------------|-----------------|----------------|--|-------------|-----------|-----------|-------------------|----------|--------------|
| Balance at January 1,                | ₩ 44,639      | 2,915,887       | (2,139,683)    | (18,087)   | 398,518     | (722,741) | 433,894   | 12,996,790        | 66,898   | 13,542,200   |
| Comprehensive income:                |               |                 |                |  |             |           |           |                   |          |              |
| Net income                           |               |                 |                |  |             |           |           | 527,783           |          | 527,783      |
| Other comprehensive income           |               |                 |                |  |             |           |           | (2,453)           | (68,971) | (71,424)     |
| Change in other comprehensive income |               |                 |                |  |             |           |           | 525,330           | (68,971) | 456,359      |
| Transactions with owners:            |               |                 |                |  |             |           |           |                   |          |              |
| Dividends                            |               |                 |                |  |             |           |           | (595,865)         |          | (595,865)    |
| Disposal of treasury stocks          |               |                 | 369,249        | 18,087   |             | 24,736    | 412,072   |                   |          | 412,072      |
| Interest on hybrid bond              |               |                 |                |  |             |           |           | (8,420)           |          | (8,420)      |
| Change in other comprehensive income |               |                 | 369,249        | 18,087   |             | 24,736    | 412,072   | (604,285)         |          | (192,161)    |
| Balance at June 30, 2015             | ₩ 44,639      | 2,915,887       | (1,770,434)    |  | 398,518     | (698,005) | 845,966   | 12,917,835        | (2,073)  | 13,806,300   |
| Balance at January 1,                | ₩ 44,639      | 2,915,887       | (2,260,626)    |  | 398,518     | (684,333) | 369,446   | 13,418,603        | (53,228) | 13,779,400   |

|            |          |           |             |  |         |           |           |            |          |            |
|------------|----------|-----------|-------------|--|---------|-----------|-----------|------------|----------|------------|
| t for the  |          |           |             |  |         |           |           |            |          |            |
| nd         |          |           |             |  |         |           | 666,350   |            |          | 666,350    |
| r          |          |           |             |  |         |           |           |            |          |            |
| prehensive |          |           |             |  |         |           | (9,085)   | 7,961      |          | (1,124)    |
|            |          |           |             |  |         |           | 657,265   | 7,961      |          | 665,226    |
| sactions   |          |           |             |  |         |           |           |            |          |            |
| owners:    |          |           |             |  |         |           |           |            |          |            |
| dividends  |          |           |             |  |         |           | (635,482) |            |          | (635,482)  |
| ness       |          |           |             |  |         |           |           |            |          |            |
| ination    |          |           |             |  |         |           |           |            |          |            |
| r common   |          |           |             |  |         |           |           |            |          |            |
| rol        |          |           |             |  |         | 2,035     | 2,035     |            |          | 2,035      |
| est on     |          |           |             |  |         |           |           |            |          |            |
| id bond    |          |           |             |  |         |           | (8,420)   |            |          | (8,420)    |
|            |          |           |             |  |         | 2,035     | 2,035     | (643,902)  |          | (641,832)  |
| nce at     |          |           |             |  |         |           |           |            |          |            |
| 30, 2016   | ₩ 44,639 | 2,915,887 | (2,260,626) |  | 398,518 | (682,298) | 371,481   | 13,431,966 | (45,267) | 13,802,574 |

See accompanying notes to the condensed separate interim financial statements.



**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2016 and 2015

| <i>(In millions of won)</i>  | <i>Note</i> | <b>June 30,<br/>2016</b> | <b>June 30,<br/>2015</b> |
|--|-------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities:</b>                         |             |                          |                          |
| Cash generated from operating activities:                            |             |                          |                          |
| Profit for the period  |             | ₩ 666,350                | 527,783                  |
| Adjustments for income and expenses                                  | 30          | 1,423,773                | 1,383,546                |
| Changes in assets and liabilities related to operating activities    | 30          | (184,697)                | (647,987)                |
| Sub-total  |             | 1,905,426                | 1,263,342                |
| Interest received  |             | 12,566                   | 11,819                   |
| Dividends received   |             | 96,433                   | 56,561                   |
| Interest paid  |             | (109,351)                | (111,951)                |
| Income tax paid  |             | (245,836)                | (68,359)                 |
| <b>Net cash provided by operating activities</b>                     |             | <b>1,659,238</b>         | <b>1,151,412</b>         |
| <b>Cash flows from investing activities:</b>                         |             |                          |                          |
| Cash inflows from investing activities:                              |             |                          |                          |
| Decrease in short-term financial instruments, net                    |             | 14,000                   | 10,000                   |
| Collection of short-term loans                                       |             | 87,079                   | 199,853                  |
| Proceeds from disposal of long-term investment securities            |             | 7,438                    | 5,235                    |
| Proceeds from disposal of investments in subsidiaries and associates |             |                          | 185,557                  |
| Proceeds from disposal of property and equipment                     |             | 5,575                    | 5,739                    |
| Proceeds from disposal of intangible assets                          |             | 1,117                    | 72                       |
| Increase in cash due to business combination                         |             | 360                      |                          |
| Sub-total  |             | 115,569                  | 406,456                  |
| Cash outflows for investing activities:                              |             |                          |                          |
| Increase in short-term investment securities, net                    |             | (230,000)                | (69,842)                 |
| Increase in short-term loans   |             | (100,477)                | (150,164)                |
| Acquisition of long-term investment securities                       |             | (14,677)                 | (202,424)                |
| Acquisition of investments in subsidiaries and associates            |             | (31,258)                 | (246,271)                |
| Acquisition of property and equipment                                |             | (504,302)                | (789,708)                |
| Acquisition of intangible assets                                     |             | (16,010)                 | (9,859)                  |
| Increase in other non-current assets                                 |             |                          | (38)                     |
| Sub-total  |             | (896,724)                | (1,468,306)              |
| <b>Net cash used in investing activities</b>                         |             | <b>₩ (781,155)</b>       | <b>(1,061,850)</b>       |

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

**Table of Contents**

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2016 and 2015

| <i>(In millions of won)</i>                                   | <b>June 30,<br/>2016</b> | <b>June 30,<br/>2015</b> |
|---|--------------------------|--------------------------|
| <b>Cash flows from financing activities:</b>                  |                          |                          |
| Cash inflows from financing activities:                       |                          |                          |
| Increase in short-term borrowings, net                        | ₩                        | 570,000                  |
| Proceeds from issuance of debentures                          | 607,474                  | 298,718                  |
| Cash inflows from settlement of derivatives                   |                          | 175                      |
| Sub-total   | 607,474                  | 868,893                  |
| 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 account payables-other                | (120,718)                | (190,134)                |
| Repayments of debentures                                      | (270,000)                | (250,000)                |
| Payments of cash dividends                                    | (635,482)                | (595,865)                |
| Payments of interest on hybrid bonds                          | (8,420)                  | (8,420)                  |
| Cash outflows from settlement of derivatives                  |                          | (329)                    |
| Sub-total   | (1,271,027)              | (1,051,155)              |
| <b>Net cash used in financing activities</b>                  | <b>(663,553)</b>         | <b>(182,262)</b>         |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>214,530</b>           | <b>(92,700)</b>          |
| Cash and cash equivalents at beginning of the period          | 431,666                  | 248,311                  |
| Effects of exchange rate changes on cash and cash equivalents | 25                       | 76                       |
| <b>Cash and cash equivalents at end of the period</b>         | <b>₩ 646,221</b>         | <b>155,687</b>           |

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

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity**

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

The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2016, the Company's total issued shares are held by the following shareholders:

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

**2. Basis of Presentation**

## (1) Statement of compliance

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since December 31, 2015. 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, 2015.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**2 Basis of Presentation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

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

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

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

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

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

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

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

Information about assumptions used for fair value measurements are included in Note 27.

**3. Significant Accounting Policies**

The 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, 2015.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**4. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2016 and December 31, 2015 are summarized as follows:

*(In millions of won)*

|                                     | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-------------------------------------|----------------------|--------------------------|
| Short-term financial instruments(*) | ₩ 79,000             | 79,000                   |
| Long-term financial instruments(*)  | 10,062               | 10,062                   |
|                                     | ₩ 89,062             | 89,062                   |

(\*) Financial instruments include charitable trust fund established by the Company. Profits from the fund are donated to charitable institutions. As of June 30, 2016 the funds cannot be withdrawn.

**5. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                               | <b>Gross amount</b> | <b>June 30, 2016 Allowances for doubtful accounts</b> | <b>Carrying amount</b> |
|-------------------------------|---------------------|---|------------------------|
| <b>Current assets:</b>        |                     |   |                        |
| Accounts receivable - trade   | ₩ 1,649,991         | (129,268)   | 1,520,723              |
| Short-term loans              | 59,607              | (596)   | 59,011                 |
| Accounts receivable - other   | 755,753             | (58,111)  | 697,642                |
| Accrued income                | 9,020               |   | 9,020                  |
|                               | 2,474,371           | (187,975)   | 2,286,396              |
| <b>Non-current assets:</b>    |                     |   |                        |
| Long-term loans               | 56,337              | (19,262)  | 37,075                 |
| Long-term receivables - other | 45,498              |   | 45,498                 |
| Guarantee deposits            | 166,320             |   | 166,320                |



|  |             |           |           |
|--|-------------|-----------|-----------|
|  | 268,155     | (19,262)  | 248,893   |
|  | ₩ 2,742,526 | (207,237) | 2,535,289 |

*(In millions of won)*

|                             | <b>December 31, 2015</b> |                   |                 |
|-----------------------------|--------------------------|-------------------|-----------------|
|                             | <b>Gross</b>             | <b>Allowances</b> | <b>Carrying</b> |
|                             | <b>amount</b>            | <b>for</b>        | <b>amount</b>   |
|                             |                          | <b>doubtful</b>   |                 |
|                             |                          | <b>accounts</b>   |                 |
| <b>Current assets:</b>      |                          |                   |                 |
| Accounts receivable - trade | ₩ 1,654,575              | (125,824)         | 1,528,751       |
| Short-term loans            | 48,223                   | (482)             | 47,741          |
| Accounts receivable - other | 323,870                  | (59,129)          | 264,741         |
| Accrued income              | 7,505                    |                   | 7,505           |
|                             | 2,034,173                | (185,435)         | 1,848,738       |
| <b>Non-current assets:</b>  |                          |                   |                 |
| Long-term loans             | 54,322                   | (19,242)          | 35,080          |
| Guarantee deposits          | 166,656                  |                   | 166,656         |
|                             | 220,978                  | (19,242)          | 201,736         |
|                             | ₩ 2,255,151              | (204,677)         | 2,050,474       |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>                      | <b>For the six-month period ended</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Balance at January 1                             | ₩ 204,677                             | 189,851              |
| Increase of bad debt allowances                  | 15,137                                | 27,697               |
| Write-offs                                       | (22,863)                              | (22,319)             |
| Collection of receivables previously written-off | 10,286                                | 10,011               |
| <b>Balance at June 30</b>                        | <b>₩ 207,237</b>                      | <b>205,240</b>       |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>      | <b>June 30, 2016</b>               |                          | <b>December 31, 2015</b>           |                          |
|----------------------------------|------------------------------------|--------------------------|------------------------------------|--------------------------|
|                                  | <b>Accounts receivable - trade</b> | <b>Other receivables</b> | <b>Accounts receivable - trade</b> | <b>Other receivables</b> |
| Neither overdue nor impaired     | ₩ 1,182,054                        | 969,486                  | 1,188,225                          | 488,244                  |
| Overdue but not impaired         | 30,493                             |                          | 45,146                             |                          |
| Impaired                         | 437,444                            | 123,049                  | 421,204                            | 112,332                  |
|                                  | 1,649,991                          | 1,092,535                | 1,654,575                          | 600,576                  |
| Allowances for doubtful accounts | (129,268)                          | (77,969)                 | (125,824)                          | (78,853)                 |
|                                  | <b>₩ 1,520,723</b>                 | <b>1,014,566</b>         | <b>1,528,751</b>                   | <b>521,723</b>           |

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, past customer default experience, customer credit status, and economic and industrial factors.

- (4) The aging of overdue but not impaired accounts receivable as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                    | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--------------------|----------------------|--------------------------|
| Less than 1 month  | ₩ 10,562             | 5,550                    |
| 1 ~ 3 months       | 6,129                | 9,507                    |
| 3 ~ 6 months       | 1,566                | 6,583                    |
| More than 6 months | 12,236               | 23,506                   |
|                    | ₩ 30,493             | 45,146                   |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**6. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                             | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|----------------------|--------------------------|
| Beneficiary certificates(*) | ₩ 322,494            | 92,262                   |

(\*) The income distributable in relation to beneficiary certificates as of June 30, 2016 were accounted for as accrued income.

(2) Details of long-term investment securities as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                              | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------------|----------------------|--------------------------|
| <b>Equity securities:</b>    |                      |                          |
| Marketable equity securities | ₩ 600,197            | 579,282                  |
| Unlisted equity securities   | 79,271               | 72,461                   |
| Equity investments           | 68,177               | 65,659                   |
|                              | 747,645              | 717,402                  |
| <b>Debt securities:</b>      |                      |                          |
| Investment bonds(*)          | 8,725                | 9,103                    |
|                              | ₩ 756,370            | 726,505                  |

(\*) The Company classified the convertible bonds of IRIVER LIMITED, amounting to ₩6,695 million, as financial assets at fair value through profit or loss and the difference between carrying amount and fair value was accounted for as gain or loss relating to financial assets at fair value through profit or loss.

**7. Investments in Subsidiaries and Associates**

(1) Investments in subsidiaries and associates as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                             | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|----------------------|--------------------------|
| Investments in subsidiaries | ₩ 4,413,248          | 4,469,997                |
| Investments in associates   | 4,345,976            | 4,340,551                |
|                             | <b>₩ 8,759,224</b>   | <b>8,810,548</b>         |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(2) Details of investments in subsidiaries as of June 30, 2016 and December 31, 2015 are as follows:

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

|  |                         | <b>June 30, 2016</b>        |                        | <b>December 31, 2015</b> |
|--|-------------------------|-----------------------------|------------------------|--------------------------|
|  | <b>Number of shares</b> | <b>Ownership percentage</b> | <b>Carrying amount</b> | <b>Carrying amount</b>   |
| SK Telink Co., Ltd.                      | 1,082,272               | 83.5                        | 144,740                | 144,740                  |
| SK Broadband Co., Ltd.(*1)               | 298,460,212             | 100.0                       | 1,870,582              | 1,870,582                |
| SK Communications Co., Ltd.              | 28,029,945              | 64.5                        | 151,934                | 151,934                  |
| PS&Marketing Corporation                 | 66,000,000              | 100.0                       | 313,934                | 313,934                  |
| Service Ace 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.(*2,3)                | 57,338,266              | 100.0                       | 1,298,231              | 1,520,206                |
| Neosnetworks Co., Ltd.                   | 408,435                 | 83.9                        | 63,967                 | 63,967                   |
| IRIVER LIMITED                           | 15,202,039              | 48.9                        | 54,503                 | 54,503                   |
| SK Telecom China Holdings Co., Ltd.      |                         | 100.0                       | 38,652                 | 38,652                   |
| SKT Vietnam PTE. Ltd.                    | 180,476,700             | 73.3                        | 2,364                  | 2,364                    |
| SKT Americas, Inc.(*4)                   | 122                     | 100.0                       | 45,701                 | 93,319                   |
| YTK Investment Ltd.                      |                         | 100.0                       | 18,693                 | 18,693                   |
| Atlas Investment                         |                         | 100.0                       | 80,905                 | 78,618                   |
| SK Global Healthcare Business Group Ltd. |                         | 100.0                       | 39,649                 | 39,649                   |
| Entrix Co., Ltd.                         | 4,157,000               | 100.0                       | 27,628                 | 27,628                   |
| SK techx Co., Ltd.(*2)                   | 6,323,905               | 100.0                       | 128,371                |                          |
| One Store Co., Ltd.(*2)                  | 10,409,600              | 65.5                        | 82,186                 |                          |
|  |                         |                             | <b>₩ 4,413,248</b>     | <b>4,469,997</b>         |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(2) Details of investments in subsidiaries as of June 30, 2016 and December 31, 2015 are as follows, Continued:

(\*1) On November 2, 2015, the board of directors of the Company entered into a share purchase agreement to acquire 30%(23,234,060 shares) of the issued and outstanding common shares of CJ Hello Vision Co., Ltd. ( CJ Hello Vision ) from CJ O Shopping Co., Ltd. ( CJ O Shopping ) for an aggregate purchase price of ₩500,000 million. The agreement states government's approval as prerequisite.

On November 2, 2015, the board of directors of SK Broadband Co., Ltd. ( SK Broadband ), a subsidiary of the Company, approved the merger of SK Broadband into CJ Hello Vision, and then SK Broadband entered into a merger agreement with CJ Hello Vision with government's approval as prerequisite.

After the announcement of disapproval of proposed takeover of CJ Hello Vision by the Fair Trade Commission (FTC) on July 18, 2016, the Company announced the revocation of share purchase agreement to CJ O Shopping while SK Broadband withdrew from merger agreement with CJ Hello vision on July 25, 2016 as execution of the share purchase agreement with CJ O Shopping and merger agreement between SK Broadband and CJ Hello Vision became objectively impossible.

(\*2) During the six-month period ended June 30, 2016, SK techx Co., Ltd. and One Store Co., Ltd. were established by spin-offs of platform service division and T-store service division of SK Planet Co., Ltd. from SK Planet Co., Ltd., respectively. In connection with the spin-offs, the Company exchanged 12,323,905 shares of SK Planet Co., Ltd. for 6,323,905 shares of SK techx Co., Ltd. and 6,000,000 shares of One Store Co., Ltd. The Company additionally acquired 4,409,600 shares of One Store Co., Ltd. for ₩22,048 million by participating in capital increase. The Company has equity interest of 65.5% on One Store Co., Ltd. as a result of unparticipated disproportionate capital increase by One Store Co., Ltd.

(\*3) During the six-month period ended June 30, 2016, the Company acquired Location Based Service(LBS) division and mobile phone verification services business, spun-off from SK Planet Co., Ltd., in order to strengthen the platform business capabilities. Since this is considered a business combination of entities under common control, the Company succeeded the assets and liabilities at the acquiree's carrying amounts and recognized the difference between the carrying amount of 1,547,516 shares of SK Planet Co., Ltd., which were retired, and the net assets acquired in capital surplus and others.

(\*4) ₩47,618 million of impairment loss was recognized during the six-month period ended June 30, 2016.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(3) Details of investments in associates as of June 30, 2016 and December 31, 2015 are as follows:

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

|  |                             | <b>June 30, 2016</b>            |                            | <b>December 31,<br/>2015</b> |
|--|-----------------------------|---------------------------------|----------------------------|------------------------------|
|  | <b>Number of<br/>shares</b> | <b>Ownership<br/>percentage</b> | <b>Carrying<br/>amount</b> | <b>Carrying<br/>amount</b>   |
| SK China Company Ltd.(*1)                        | 720,000                     | 9.6                             | 47,830                     | 47,830                       |
| HappyNarae Co., Ltd.                             | 680,000                     | 42.5                            | 12,250                     | 12,250                       |
| Korea IT Fund(*2)                                | 190                         | 63.3                            | 220,957                    | 220,957                      |
| Wave City Development Co., Ltd.(*1)              | 393,460                     | 19.1                            | 1,532                      | 1,532                        |
| KEB HanaCard Co., Ltd.(*1)                       | 39,902,323                  | 15.0                            | 253,739                    | 253,739                      |
| Daehan Kanggun BcN Co., Ltd.                     | 1,675,124                   | 29.0                            | 8,340                      | 8,340                        |
| NanoEnTek, Inc.                                  | 6,960,445                   | 28.5                            | 47,958                     | 47,958                       |
| SK Industrial Development China Co., Ltd.        | 72,952,360                  | 21.0                            | 83,691                     | 83,691                       |
| SK Technology Innovation Company                 | 14,700                      | 49.0                            | 45,864                     | 45,864                       |
| SK hynix Inc.                                    | 146,100,000                 | 20.1                            | 3,374,725                  | 3,374,725                    |
| SK MENA Investment B.V.                          | 9,772,686                   | 32.1                            | 14,485                     | 14,485                       |
| SK Latin America Investment S.A.                 | 9,448,937                   | 32.1                            | 14,243                     | 14,243                       |
| SKY Property Mgmt. Ltd.                          | 12,639                      | 33.0                            | 145,656                    | 145,656                      |
| SK Wyverns Baseball Club Co., Ltd.<br>and others |                             |                                 | 74,706                     | 69,281                       |
|  |                             |                                 | <b>₩ 4,345,976</b>         | <b>4,340,551</b>             |

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

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

(4) The market price of investments in listed subsidiaries as of June 30, 2016 and December 31, 2015 are as follows:



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

|                             | June 30, 2016                            |                     |                 | December 31, 2015                           |                     |                 |
|-----------------------------|--|---------------------|-----------------|---|---------------------|-----------------|
|                             | Market<br>value per<br>share<br>(In won) | Number of<br>shares | Market<br>price | Market<br>value per<br>share<br>(In<br>won) | Number of<br>shares | Market<br>price |
| IRIVER LIMITED              | ₩ 4,420                                  | 15,202,039          | 67,193          | 5,400                                       | 15,202,039          | 82,091          |
| SK Communications Co., Ltd. | 2,930                                    | 28,029,945          | 82,128          | 4,390                                       | 28,029,945          | 123,051         |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**8. Property and Equipment**

Changes in property and equipment for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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

(\*) Composed of property and equipment acquired in connection with business combination.

*(In millions of won)*

|                          | For the six-month period ended June 30, 2015 |             |          |           |              | Ending<br>balance |
|--------------------------|--|-------------|----------|-----------|--------------|-------------------|
|                          | Beginning<br>balance                         | Acquisition | Disposal | Transfer  | Depreciation |                   |
| Land                     | ₩ 448,255                                    | 828         | (328)    | 5,155     |              | 453,910           |
| Buildings                | 568,874                                      | 782         | (4,131)  | 21,997    | (17,409)     | 570,113           |
| Structures               | 350,915                                      | 761         | (33)     | 11,911    | (17,013)     | 346,541           |
| Machinery                | 5,277,929                                    | 22,013      | (689)    | 525,155   | (791,819)    | 5,032,589         |
| Other                    | 430,478                                      | 421,932     | (1,730)  | (309,165) | (54,630)     | 486,885           |
| Construction in progress | 629,455                                      | 200,553     |          | (296,772) |              | 533,236           |
|                          | ₩ 7,705,906                                  | 646,869     | (6,911)  | (41,719)  | (880,871)    | 7,423,274         |

**9. Goodwill**

Goodwill as of June 30, 2016 and December 31, 2015 is as follows:

*(In millions of won)*

|   | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|---|--------------------------|--------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | ₩ 1,306,236              | 1,306,236                |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**10. Intangible Assets**

(1) Changes in intangible assets for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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

(\*) Composed of intangible assets acquired in connection with business combination.

*(In millions of won)*

|                        | For the six-month period ended June 30, 2015 |             |          |          |              | Ending<br>balance |
|------------------------|--|-------------|----------|----------|--------------|-------------------|
|                        | Beginning<br>balance                         | Acquisition | Disposal | Transfer | Amortization |                   |
| Frequency usage rights | ₩ 1,384,044                                  |             |          |          | (140,264)    | 1,243,780         |
| Land usage rights      | 14,016                                       | 1,412       |          |          | (2,431)      | 12,997            |
| Industrial rights      | 10,583                                       | 3,507       | (2)      |          | (2,109)      | 11,979            |
| Facility usage rights  | 15,843                                       | 515         | (12)     | 271      | (1,276)      | 15,341            |
| Memberships            | 63,465                                       | 62          |          |          |              | 63,527            |
| Other                  | 440,218                                      | 4,363       | (5)      | 50,721   | (87,030)     | 408,267           |
|                        | ₩ 1,928,169                                  | 9,859       | (19)     | 50,992   | (233,110)    | 1,755,891         |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**10. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of frequency usage rights as of June 30, 2016 are as follows, all of which are amortized on a straight-line basis:

*(In millions of won)*

|                | Amount    | Description   | Commencement<br>of amortization | Completion of<br>amortization |
|----------------|-----------|---|---------------------------------|-------------------------------|
| W-CDMA license | ₩ 54,988  | Frequency usage rights relating to W-CDMA service       | Dec. 2003                       | Dec. 2016                     |
| W-CDMA license | 8,155     | Frequency usage rights relating to W-CDMA service       | Oct. 2010                       | Dec. 2016                     |
| 800MHz license | 202,720   | Frequency usage rights relating to CDMA and LTE service | Jul. 2011                       | Jun. 2021                     |
| 1.8GHz license | 690,910   | Frequency usage rights relating to LTE service          | Sep. 2013                       | Dec. 2021                     |
| WiBro license  | 6,480     | WiBro service   | Mar. 2012                       | Mar. 2019                     |
|                | ₩ 963,253 |   |                                 |                               |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**11. Borrowings and Debentures**

- (1) There are no short-term borrowings as of June 30, 2016. Short-term borrowings as of December 31, 2015 are as follows:

*(In millions of won)*

| <b>Lender</b>     | <b>Annual interest rate (%)</b> | <b>Maturity</b> | <b>December 31, 2015</b> |
|-------------------|---------------------------------|-----------------|--------------------------|
| Kookmin Bank      | 2.47                            | Jan. 21, 2016   | ₩ 40,000                 |
| Commercial Papers | 1.84                            | Jan. 14, 2016   | 190,000                  |
|                   |                                 |                 | ₩ 230,000                |

- (2) Long-term borrowings as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won and thousands of U.S. dollars)*

| <b>Lender</b>               | <b>Annual interest rate (%)</b> | <b>Maturity</b> | <b>June 30, 2016</b>     | <b>December 31, 2015</b> |
|-----------------------------|---------------------------------|-----------------|--------------------------|--------------------------|
| Export Kreditnamnden(*)     | 1.70                            | Apr. 29, 2022   | ₩ 80,430<br>(USD 69,056) | 87,685<br>(USD 74,817)   |
| Less present value discount |                                 |                 | (1,811)                  | (2,124)                  |
|                             |                                 |                 | 78,619                   | 85,561                   |
| Less current installments   |                                 |                 | (12,963)                 | (13,007)                 |
|                             |                                 |                 | ₩ 65,656                 | 72,554                   |

- (\*) Prior to 2015, the Company obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are repaid by installments on an annual basis from 2014 to 2022.



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**11. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won, thousands of U.S. dollars, and thousands of other currencies)*

|                             |                  |          | Annual        |           |              |
|-----------------------------|------------------|----------|---------------|-----------|--------------|
|                             | Purpose          | Maturity | interest rate | June 30,  | December 31, |
|                             |                  |          | (%)           | 2016      | 2015         |
| Unsecured private bonds     | Refinancing fund | 2016     | 5.00          | ₩ 200,000 | 200,000      |
| Unsecured private bonds     | Other fund       | 2018     | 5.00          | 200,000   | 200,000      |
| Unsecured private bonds     |                  | 2016     | 5.54          |           | 40,000       |
| Unsecured private bonds     |                  | 2016     | 5.92          |           | 230,000      |
| Unsecured private bonds     | Operating fund   | 2016     | 3.95          | 110,000   | 110,000      |
| Unsecured private bonds     |                  | 2021     | 4.22          | 190,000   | 190,000      |
| Unsecured private bonds     | Operating and    | 2019     | 3.24          | 170,000   | 170,000      |
| Unsecured private bonds     | refinancing      | 2022     | 3.30          | 140,000   | 140,000      |
| Unsecured private bonds     | fund             | 2032     | 3.45          | 90,000    | 90,000       |
| Unsecured private bonds     | Operating fund   | 2023     | 3.03          | 230,000   | 230,000      |
| Unsecured private bonds     |                  | 2033     | 3.22          | 130,000   | 130,000      |
| Unsecured private bonds     |                  | 2019     | 3.30          | 50,000    | 50,000       |
| Unsecured private bonds     |                  | 2024     | 3.64          | 150,000   | 150,000      |
| Unsecured private bonds(*2) |                  | 2029     | 4.72          | 54,969    | 54,695       |
| Unsecured private bonds     | Refinancing      | 2019     | 2.53          | 160,000   | 160,000      |
| Unsecured private bonds     | fund             | 2021     | 2.66          | 150,000   | 150,000      |
| Unsecured private bonds     |                  | 2024     | 2.82          | 190,000   | 190,000      |
| Unsecured private bonds     | Operating and    | 2022     | 2.40          | 100,000   | 100,000      |
| Unsecured private bonds     | refinancing      | 2025     | 2.49          | 150,000   | 150,000      |
| Unsecured private bonds     | fund             | 2030     | 2.61          | 50,000    | 50,000       |
| Unsecured private bonds     | Operating fund   | 2018     | 1.89          | 90,000    | 90,000       |
| Unsecured private bonds     |                  | 2025     | 2.66          | 70,000    | 70,000       |
| Unsecured private bonds     |                  | 2030     | 2.82          | 90,000    | 90,000       |
| Unsecured private bonds(*2) |                  | 2030     | 3.40          | 50,098    | 50,485       |
| Unsecured private bonds     | Operating and    | 2018     | 2.07          | 80,000    | 80,000       |
| Unsecured private bonds     | refinancing      | 2025     | 2.55          | 100,000   | 100,000      |
| Unsecured private bonds     | fund             | 2035     | 2.75          | 70,000    | 70,000       |
| Unsecured private bonds(*2) |                  | 2030     | 3.10          | 50,460    | 50,524       |
| Unsecured private bonds     | Operating fund   | 2019     | 1.65          | 70,000    |              |



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|                         |      |      |         |
|-------------------------|------|------|---------|
| Unsecured private bonds | 2021 | 1.80 | 100,000 |
| Unsecured private bonds | 2026 | 2.08 | 90,000  |
| Unsecured private bonds | 2036 | 2.24 | 80,000  |
| Unsecured private bonds | 2019 | 1.62 | 50,000  |
| Unsecured private bonds | 2021 | 1.71 | 50,000  |
| Unsecured private bonds | 2026 | 1.97 | 120,000 |
| Unsecured private bonds | 2031 | 2.17 | 50,000  |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**11. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won, thousands of U.S. dollars, and thousands of other currencies)*

|                                    | <b>Purpose</b> | <b>Maturity</b> | <b>Annual<br/>interest rate<br/>(%)</b> | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------------------------|----------------|-----------------|---|--------------------------|------------------------------|
| Unsecured global bonds             |                | 2027            | 6.63                                    | 465,880                  | 468,800                      |
|                                    |                |                 |   | (USD 400,000)            | (USD 400,000)                |
| Unsecured private Swiss bonds      |                | 2017            | 1.75                                    | 356,760                  | 355,617                      |
|                                    |                |                 |   | (CHF 300,000)            | (CHF 300,000)                |
| Unsecured global bonds             |                | 2018            | 2.13                                    | 815,290                  | 820,400                      |
|                                    |                |                 |   | (USD 700,000)            | (USD 700,000)                |
| Unsecured private Australian bonds |                | 2017            | 4.75                                    | 260,310                  | 255,930                      |
|                                    |                |                 |   | (AUD 300,000)            | (AUD 300,000)                |
| Floating rate notes (*1)           |                | 2020            | 3M LIBOR +<br>0.88                      | 349,410                  | 351,600                      |
|                                    |                |                 |   | (USD 300,000)            | (USD 300,000)                |
| <b>Sub-total</b>                   |                |                 |   | <b>5,973,177</b>         | <b>5,638,051</b>             |
| Less discounts on bonds            |                |                 |   | (24,086)                 | (24,926)                     |
|                                    |                |                 |   | <b>5,949,091</b>         | <b>5,613,125</b>             |
| Less current installments of bonds |                |                 |   | (666,154)                | (579,630)                    |
|                                    |                |                 |   | <b>₩ 5,282,937</b>       | <b>5,033,495</b>             |

(\*1) As of June 30, 2016, 3M LIBOR rate is 0.65%.

(\*2) The Company eliminated a measurement inconsistency of accounting profit or loss between the bonds and related derivatives by designating the structured bonds as financial liabilities at fair value through profit or loss.

The carrying amount of financial liabilities designated at fair value through profit or loss exceeds the principal amount required to pay at maturity by ₩5,527 million as of June 30, 2016.



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**12. Long-term Payables - Other**

- (1) As of June 30, 2016 and December 31, 2015, details of long-term payables other which consist of payables related to the acquisition of W-CDMA licenses for 2.3GHz and 1.8GHz frequencies are as follows (See Note 10):

*(In millions of won)*

|   | <b>Period of<br/>repayment</b> | <b>Coupon rate</b> | <b>Annual effective<br/>interest<br/>rate(*)</b> | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|--------------------------------|--------------------|--|--------------------------|------------------------------|
| 2.3GHz  | 2014~2016                      | 3.00%              | 5.80%  |                          | 2,882                        |
| 1.8GHz  | 2012~2021                      | 2.43~3.00%         | 4.84~5.25%                                       | 589,172                  | 707,006                      |
|   |                                |                    |  | 589,172                  | 709,888                      |
| Present value discount on long-term payables other    |                                |                    |  | (32,252)                 | (38,739)                     |
|   |                                |                    |  | 556,920                  | 671,149                      |
| Less current installments of long-term payables other |                                |                    |  | (116,079)                | (120,185)                    |
| Carrying amount at period end                         |                                |                    |  | ₩ 440,841                | 550,964                      |

- (\*) The Company estimated the discount rates based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables - other.

- (2) The repayment schedule of the principal amount of long-term payables related to acquisition of W-CDMA licenses as of June 30, 2016 is as follows:

*(In millions of won)*

|                  | <b>Amount</b> |
|------------------|---------------|
| Less than 1 year | ₩ 117,834     |
| 1~3 years        | 235,669       |
| 3~5 years        | 235,669       |

₩ 589,172

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**13. Provisions**

Changes in provisions for the six-month periods ended June 30, 2016 and 2015 are as follows:

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

| <i>(In millions of won)</i>                  | <b>For the six-month period ended June 30, 2015</b> |                 |                    |                 | <b>As of June 30, 2015</b> |                |                    |
|--|---|-----------------|--------------------|-----------------|----------------------------|----------------|--------------------|
|  | <b>Beginning balance</b>                            | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Ending balance</b>      | <b>Current</b> | <b>Non-current</b> |
| Provision for installment of handset subsidy | ₩ 26,799  |                 | (2,696)            | (18,173)        | 5,930                      | 3,368          | 2,562              |
| Provision for restoration                    | 51,333  | 2,116           | (344)              | (962)           | 52,143                     | 34,208         | 17,935             |
|  | ₩ 78,132  | 2,116           | (3,040)            | (19,135)        | 58,073                     | 37,576         | 20,497             |

The Company has provided handset subsidy to subscribers who purchase handsets on an installment basis and recognized a provision for subsidy amounts which the Company is expected to pay in future periods.

**14. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>                  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--|----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 239,797            | 212,139                  |

|                           |                     |           |
|---------------------------|---------------------|-----------|
| Fair value of plan assets | (216,009)           | (208,133) |
|                           | <del>₩</del> 23,788 | 4,006     |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**14. Defined Benefit Liabilities, Continued**

- (2) Changes in defined benefit obligations for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>      | <b>For the six-month period ended</b> |                      |
|----------------------------------|---------------------------------------|----------------------|
|                                  | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Beginning balance                | ₩ 212,139                             | 195,130              |
| Current service cost             | 18,364                                | 17,610               |
| Interest cost                    | 2,731                                 | 2,707                |
| Remeasurement:                   |                                       |                      |
| - Demographic assumption         |                                       | 16                   |
| - Adjustment based on experience | 6,816                                 | 834                  |
| Benefit paid                     | (3,755)                               | (20,266)             |
| Others                           | 3,502                                 | 1,867                |
| Ending balance                   | ₩ 239,797                             | 197,898              |

- (3) Changes in plan assets for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Beginning balance           | ₩ 208,133                             | 179,575              |
| Interest income             | 2,590                                 | 2,491                |
| Actuarial loss              | (5,169)                               | (2,387)              |
| Contributions               | 11,000                                | 25,000               |
| Benefit paid                | (3,350)                               | (19,643)             |
| Others                      | 2,805                                 |                      |
| Ending balance              | ₩ 216,009                             | 185,036              |



- (4) Expenses recognized in profit and loss for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Current service cost        | ₩ 18,364                              | 17,610               |
| Net Interest cost           | 141                                   | 216                  |
|                             | ₩ 18,505                              | 17,826               |

The above costs are recognized in labor cost and research and development.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**15. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of June 30, 2016 are as follows:

*(In thousands of foreign currencies)*

| <b>Borrowing date</b> | <b>Hedging Instrument (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 with face value of USD 400,000)                  | Foreign currency risk                        | Currency swap                   | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012         | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds with face value of CHF 300,000)                  | Foreign currency risk                        | Currency swap                   | Citibank and four other banks       | Jun. 12, 2012 ~ Jun. 12, 2017 |
| Nov. 1, 2012          | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 700,000)                  | Foreign currency risk                        | Currency swap                   | Barclays and eight other banks      | Nov. 1, 2012 ~ May. 1, 2018   |
| Jan. 17, 2013         | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds with face value of AUD 300,000)             | Foreign currency risk                        | 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 with face value of USD 300,000) | Foreign currency risk and interest rate risk | Currency and interest rate swap | DBS Bank                            | Mar. 7, 2013 ~ Mar. 7, 2020   |
| Dec. 16, 2013         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 69,056)                   | Foreign currency risk                        | Currency swap                   | Deutsche bank                       | Dec. 16, 2013 ~ Apr. 29, 2022 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**15. Derivative Instruments, Continued**

- (2) As of June 30, 2016, details of fair values of the above derivatives recorded in assets or liabilities are as follows:

*(In millions of won and thousands of foreign currencies)*

| Hedging Instrument (Hedged item)   | Accumulated gain (loss) on valuation of derivatives | Cash flow hedge Tax effect | Fair value  |            | Held for trading | Total    |
|--|---|----------------------------|---|------------|------------------|----------|
|  |   |                            | Accumulated foreign currency translations (gain) loss | Others (*) |                  |          |
| <b>Non-current assets:</b>   |   |                            |   |            |                  |          |
| Structured bond (face value of KRW 150,000)  | ₩   |                            |   |            | 9,961            | 9,961    |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 400,000)                  | (50,424)  | (16,098)                   | 8,299   | 129,806    |                  | 71,583   |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 700,000)                  | (15,296)  | (4,884)                    | 51,650  |            |                  | 31,470   |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds with face value of USD 300,000) | (11,613)  | (3,709)                    | 24,255  |            |                  | 8,933    |
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds with face value of USD 69,056)                  | (3,622)   | (1,156)                    | 7,457   |            |                  | 2,679    |
| <b>Total assets</b>  |   |                            |   |            | ₩                | 124,626  |
| <b>Current liability:</b>  |   |                            |   |            |                  |          |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds with face value of CHF 300,000)                  | ₩ (6,565)   | (2,095)                    | (6,710)   |            |                  | (15,370) |

**Non-current liability:**

|  |       |     |          |          |
|--|-------|-----|----------|----------|
| Fixed-to-fixed cross currency swap<br>(Australia dollar denominated bonds with<br>face value of AUD 300,000) | 2,873 | 918 | (74,879) | (71,088) |
|--|-------|-----|----------|----------|

**Total liabilities** ₩ (86,458)

(\*) Cash flow hedge accounting has been applied to the relevant contracts from May 12, 2010. Others represent gain on valuation of currency swap recognized in profit or loss prior to May 12, 2010, when the Company started to apply hedge accounting to these contracts.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**16. Share Capital and Capital Surplus and Others**

The Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and others as of June 30, 2016 and December 31, 2015 are as follows:

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

|                                    | <b>June 30, 2016</b> | <b>December 31, 2015</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 stock (Note 17)           | (2,260,626)          | (2,260,626)              |
| Hybrid bond (Note 18)              | 398,518              | 398,518                  |
| Others                             | (682,298)            | (684,333)                |
|                                    | ₩ 371,481            | 369,446                  |

(\*) Prior to 2015, the Company retired shares of treasury stock which reduced its retained earnings before appropriation. As a result, the Company's outstanding shares have decreased without change in the share capital. There were no changes in share capital for the six-month period ended June 30, 2016 and the year ended December 31, 2015 and details of shares outstanding as of June 30, 2016 and 2015 are as follows:

|                            | <b>June 30, 2016</b>     |                           |                               | <b>June 30, 2015</b>     |                           |                               |
|----------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|
|                            | <b>Issued<br/>shares</b> | <b>Treasury<br/>stock</b> | <b>Outstanding<br/>shares</b> | <b>Issued<br/>shares</b> | <b>Treasury<br/>stock</b> | <b>Outstanding<br/>shares</b> |
| Beginning                  | 80,745,711               | 10,136,551                | 70,609,160                    | 80,745,711               | 9,809,375                 | 70,936,336                    |
| Disposal of treasury stock |                          |                           |                               |                          | (1,692,824)               | 1,692,824                     |
| Ending                     | 80,745,711               | 10,136,551                | 70,609,160                    | 80,745,711               | 8,116,551                 | 72,629,160                    |

**17. Treasury Stock**

The Company acquired treasury stocks to provide stock dividends, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices.

Treasury stocks as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won, shares)*

|                  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|------------------|----------------------|--------------------------|
| Number of shares | 10,136,551           | 10,136,551               |
| Amount           | ₩ 2,260,626          | 2,260,626                |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**18. Hybrid Bonds**

Hybrid bonds classified as equity as of June 30, 2016 are as follows:

*(In millions of won)*

|                      | Type                               | Issuance date | Maturity         | Annual interest rate(%) | Amount    |
|----------------------|------------------------------------|---------------|------------------|-------------------------|-----------|
| Private hybrid bonds | Unsecured subordinated bearer bond | June 7, 2013  | June 7, 2073(*1) | 4.21(*2)                | ₩ 400,000 |
| Issuance costs       |                                    |               |                  |                         | (1,482)   |
|                      |                                    |               |                  |                         | ₩ 398,518 |

Hybrid bonds issued by the Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common stocks in the event of a liquidation or reorganization of the Company.

(\*1) The Company has a right to extend the maturity under the same terms at issuance without any notice or announcement. The Company also has the right to defer interest payment at its sole discretion.

(\*2) Annual interest rate is calculated as yield rate of 5 year national bonds plus premium. According to Step-up clause, additional premium of 0.25% and 0.75%, respectively, after 10 years and 25 years from the issuance date are applied.

**19. Retained Earnings**

(1) Retained earnings as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|   | June 30, 2016 | December 31, 2015 |
|---|---------------|-------------------|
| Appropriated:                               |               |                   |
| Legal reserve                               | ₩ 22,320      | 22,320            |
| Reserve for research & manpower development | 60,001        | 87,301            |

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|                                    |              |            |
|------------------------------------|--------------|------------|
| Reserve for business expansion     | 9,871,138    | 9,671,138  |
| Reserve for technology development | 2,826,300    | 2,616,300  |
|                                    | 12,779,759   | 12,397,059 |
| Unappropriated                     | 652,207      | 1,021,544  |
|                                    | ₩ 13,431,966 | 13,418,603 |



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**20. Reserves**

(1) Details of reserves, net of taxes, as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|   | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|---|----------------------|--------------------------|
| Changes in unrealized fair value of available-for-sale financial assets | ₩ 39,380             | 23,578                   |
| Changes in unrealized fair value of derivatives                         | (84,647)             | (76,806)                 |
|   | ₩ (45,267)           | (53,228)                 |

(2) Changes in reserves for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended June 30, 2016</b>                 |   |              |
|-----------------------------|---|---|--------------|
|                             | <b>Unrealized fair value of available-for-sale financial assets</b> | <b>Unrealized fair value of derivatives</b> | <b>Total</b> |
| Balance at January 1, 2016  | ₩ 23,578  | (76,806)                                    | (53,228)     |
| Changes                     | 20,847  | (10,344)                                    | 10,503       |
| Tax effect                  | (5,045)   | 2,503                                       | (2,542)      |
| Balance at June 30, 2016    | ₩ 39,380  | (84,647)                                    | (45,267)     |

| <i>(In millions of won)</i> | <b>For the six-month period ended June 30, 2015</b> |                                 |              |
|-----------------------------|---|---------------------------------|--------------|
|                             | <b>Unrealized fair value of</b>                     | <b>Unrealized fair value of</b> | <b>Total</b> |
|                             | <b>of</b>   | <b>of</b>                       |              |

|                            | <b>available-for-sale<br/>financial<br/>assets</b> | <b>derivatives</b> |          |
|----------------------------|--|--------------------|----------|
| Balance at January 1, 2015 | ₩ 145,106  | (78,208)           | 66,898   |
| Changes                    | (70,672)   | (20,319)           | (90,991) |
| Tax effect                 | 17,103   | 4,917              | 22,020   |
| Balance at June 30, 2015   | ₩ 91,537   | (93,610)           | (2,073)  |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**21. Other Operating Expenses**

Details of other operating expenses for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>              | 2016                                   |                                      | 2015                                      |                                      |
|--|--|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Other Operating Expenses:</b>         |  |                                      |   |                                      |
| Communication                            | ₩ 7,542                                | 15,542                               | 8,475                                     | 18,058                               |
| Utilities                                | 46,779                                 | 100,397                              | 45,979                                    | 95,260                               |
| Taxes and dues                           | 4,329                                  | 9,307                                | 5,116                                     | 9,509                                |
| Repair                                   | 55,236                                 | 101,860                              | 53,017                                    | 91,491                               |
| Research and development                 | 66,349                                 | 133,518                              | 62,071                                    | 110,954                              |
| Training                                 | 4,931                                  | 9,991                                | 4,421                                     | 10,161                               |
| Bad debt for accounts receivable - trade | 9,158                                  | 11,724                               | 16,347                                    | 23,612                               |
| Other                                    | 9,741                                  | 23,010                               | 10,367                                    | 20,851                               |
|  | ₩ 204,065                              | 405,349                              | 205,793                                   | 379,896                              |

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

Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | 2016                                      |                                      | 2015                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Other Non-operating Income:</b>                                  |   |                                      |   |                                      |
| Gain on disposal of property and equipment<br>and intangible assets | ₩ 435                                     | 870                                  | 866                                       | 937                                  |
| Others  | 7,994                                     | 36,458                               | 2,871                                     | 6,032                                |

|  |         |        |       |       |
|--|---------|--------|-------|-------|
|  | ₩ 8,429 | 37,328 | 3,737 | 6,969 |
|--|---------|--------|-------|-------|

**Other Non-operating Expenses:**

|  |          |        |        |        |
|--|----------|--------|--------|--------|
| Loss on disposal of property and equipment and intangible assets | ₩ 2,628  | 9,970  | 884    | 2,056  |
| Donations  | 11,447   | 40,647 | 18,116 | 23,562 |
| Bad debt for accounts receivable - other                         | 3,413    | 3,413  | 6,239  | 4,085  |
| Others   | 1,282    | 1,793  | 7,052  | 31,961 |
|  | ₩ 18,770 | 55,823 | 32,291 | 61,664 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**23. Finance Income and Costs**

- (1) Details of finance income and costs for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | 2016                                      |                                      | 2015                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Finance Income:</b>  |   |                                      |   |                                      |
| Interest income   | ₩ 5,839                                   | 12,218                               | 5,465                                     | 11,160                               |
| Gain on disposal of accounts receivable - trade                             | 5,191                                     | 7,855                                |   |                                      |
| Dividends   | 6,082                                     | 96,433                               | 2,308                                     | 56,731                               |
| Gain on foreign currency transactions                                       | 816                                       | 5,601                                | 2,308                                     | 4,484                                |
| Gain on foreign currency translation  | 531                                       | 111                                  | 1,197                                     | 1,098                                |
| Gain relating to financial liabilities at fair value through profit or loss | 403                                       | 177                                  | 6,965                                     | 5,188                                |
| Gain relating to financial assets at fair value through profit or loss      | 148                                       |                                      |   |                                      |
| Gain on disposal of long-term investment securities                         | 1,141                                     | 1,751                                | 1,492                                     | 2,828                                |
| Gain on valuation of derivatives  | 463                                       | 3,684                                |   | 1,030                                |
|   | ₩ 20,614                                  | 127,830                              | 19,735                                    | 82,519                               |
| <b>Finance Costs:</b>   |   |                                      |   |                                      |
| Interest expense  | ₩ 57,235                                  | 116,707                              | 59,906                                    | 121,132                              |
| Loss on foreign currency transactions                                       | 2,850                                     | 5,040                                | 2,378                                     | 7,027                                |
| Loss on foreign currency translation  |   | 340                                  |   | 25                                   |
| Loss on disposal of long-term investment securities                         |   | 44                                   |   | 2                                    |
| Loss on valuation of derivatives  |   |                                      | 699                                       |                                      |
| Loss on settlement of derivatives   | 319                                       | 319                                  | 4,517                                     | 4,517                                |
| Loss relating to financial assets at fair value through profit or loss      |   | 378                                  | 358                                       | 689                                  |

|   |          |         |        |         |
|---|----------|---------|--------|---------|
| Loss relating to financial liabilities at fair value through profit or loss |          |         |        | 174     |
| Other finance costs   |          | 815     | 32     | 32      |
|   | ₩ 60,404 | 123,643 | 67,890 | 133,598 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | 2016                                      |                                      | 2015                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Interest income on cash equivalents and deposits      | ₩ 1,914                                   | 3,750                                | 1,668                                     | 3,483                                |
| Interest income on installment receivables and others | 3,925                                     | 8,468                                | 3,797                                     | 7,677                                |
|   | ₩ 5,839                                   | 12,218                               | 5,465                                     | 11,160                               |

- (3) Details of interest expenses included in finance costs for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                 | 2016                                      |                                      | 2015                                      |                                      |
|---------------------------------|---|--------------------------------------|---|--------------------------------------|
|                                 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Interest expenses on borrowings | ₩ 1,767                                   | 3,271                                | 6,981                                     | 10,010                               |
| Interest expenses on debentures | 48,051                                    | 97,254                               | 44,050                                    | 91,353                               |
| Others                          | 7,417                                     | 16,182                               | 8,875                                     | 19,769                               |
|                                 | ₩ 57,235                                  | 116,707                              | 59,906                                    | 121,132                              |

- (4) Details of impairment losses for financial assets for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                     | 2016                                      |                                      | 2015                                      |                                      |
|-------------------------------------|---|--------------------------------------|---|--------------------------------------|
|                                     | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Accounts receivable - trade         | ₩ 9,158                                   | 11,724                               | 16,347                                    | 23,612                               |
| Other receivables                   | 3,413                                     | 3,413                                | 6,239                                     | 4,085                                |
| Available-for-sale financial assets |   | 815                                  | 32  | 32                                   |
|                                     | ₩ 12,571                                  | 15,952                               | 22,618                                    | 27,729                               |



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**24. Income Tax Expense**

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

**25. Earnings per Share**

(1) Basic earnings per share

- 1) Basic earnings per share for the three and six-month periods ended June 30, 2016 and 2015 are calculated as follows:

*(In millions of won, shares)*

|  | 2016                        |                           | 2015                        |                           |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|
|  | Three-month<br>period ended | Six-month<br>period ended | Three-month<br>period ended | Six-month<br>period ended |
|  | June 30                     | June 30                   | June 30                     | June 30                   |
| Profit for the period                                | ₩ 284,143                   | 666,350                   | 231,997                     | 527,783                   |
| Interest on hybrid bond                              | (8,420)                     | (8,420)                   | (8,420)                     | (8,420)                   |
| Profit for the period on common shares               | 275,723                     | 657,930                   | 223,577                     | 519,363                   |
| Weighted average number of common shares outstanding | 70,609,160                  | 70,609,160                | 71,326,988                  | 71,132,741                |
| Basic earnings per share (in won)                    | ₩ 3,905                     | 9,318                     | 3,135                       | 7,301                     |

- 2) The weighted average number of common shares outstanding for the three and six-month periods ended June 30, 2016 and 2015 are calculated as follows:

*(In shares)*

|   | Number of<br>shares | Weighted number of shares              |                                   |
|---|---------------------|--|-----------------------------------|
|   |                     | Three-month period<br>ended<br>June 30 | Six-month period<br>ended June 30 |
| Issued common shares at January 1, 2016   | 80,745,711          | 80,745,711                             | 80,745,711                        |
| Weighted average number of treasury stock | (10,136,551)        | (10,136,551)                           | (10,136,551)                      |

|   |            |            |            |
|---|------------|------------|------------|
| Weighted average number of common shares outstanding at June 30, 2016 | 70,609,160 | 70,609,160 | 70,609,160 |
|---|------------|------------|------------|

(In shares)

|   | Number of shares | Weighted number of shares        |                                |
|---|------------------|----------------------------------|--------------------------------|
|   |                  | Three-month period ended June 30 | Six-month period ended June 30 |
| Issued common shares at January 1, 2015                               | 80,745,711       | 80,745,711                       | 80,745,711                     |
| Weighted average number of treasury stock                             | (8,116,551)      | (9,418,723)                      | (9,612,970)                    |
| Weighted average number of common shares outstanding at June 30, 2015 | 72,629,160       | 71,326,988                       | 71,132,741                     |

(2) Diluted earnings per share

For the six-month periods ended June 30, 2016 and 2015, there were no potentially dilutive shares. Therefore, diluted earnings per share for the six-month periods ended June 30, 2016 and 2015 are the same as basic earnings per share.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**26. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                     | <b>June 30, 2016</b>   |  |                              |   |              |
|-------------------------------------|--|--|------------------------------|---|--------------|
|                                     | <b>Financial assets at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Loans and receivables</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Cash and cash equivalents           | ₩  |  | 646,221                      |   | 646,221      |
| Financial instruments               |  |  | 117,562                      |   | 117,562      |
| Short-term investment securities    |  | 322,494                                    |                              |   | 322,494      |
| Long-term investment securities(*1) | 6,695  | 749,675                                    |                              |   | 756,370      |
| Accounts receivable - trade         |  |  | 1,520,723                    |   | 1,520,723    |
| Loans and other receivables(*2)     |  |  | 1,014,566                    |   | 1,014,566    |
| Derivative financial assets         | 9,961  |  |                              | 114,665   | 124,626      |
|                                     | ₩ 16,656   | 1,072,169                                  | 3,299,072                    | 114,665   | 4,502,562    |

*(In millions of won)*

|                                     | <b>December 31, 2015</b>                                     |  |                              |   |              |
|-------------------------------------|--|--|------------------------------|---|--------------|
|                                     | <b>Financial assets at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Loans and receivables</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Cash and cash equivalents           | ₩  |  | 431,666                      |   | 431,666      |
| Financial instruments               |  |  | 131,562                      |   | 131,562      |
| Short-term investment securities    |  | 92,262                                     |                              |   | 92,262       |
| Long-term investment securities(*1) | 7,073  | 719,432                                    |                              |   | 726,505      |
| Accounts receivable - trade         |  |  | 1,528,751                    |   | 1,528,751    |
| Loans and other receivables(*2)     |  |  | 521,723                      |   | 521,723      |

|                             |          |         |           |         |           |
|-----------------------------|----------|---------|-----------|---------|-----------|
| Derivative financial assets | 6,277    |         |           | 133,646 | 139,923   |
|                             | ₩ 13,350 | 811,694 | 2,613,702 | 133,646 | 3,572,392 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(1) Financial assets by categories as of June 30, 2016 and December 31, 2015 are as follows, Continued:

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

(\*2) Details of loans and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                               | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|-------------------------------|--------------------------|--------------------------|
| Short-term loans              | ₩ 59,011                 | 47,741                   |
| Accounts receivable other     | 697,642                  | 264,741                  |
| Accrued income                | 9,020                    | 7,505                    |
| Long-term loans               | 37,075                   | 35,080                   |
| Long-term receivables - other | 45,498                   |                          |
| Guarantee deposits            | 166,320                  | 166,656                  |
|                               | ₩ 1,014,566              | 521,723                  |

(2) Financial liabilities by categories as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                  | <b>June 30, 2016</b>  |   |   |              |
|----------------------------------|---|---|---|--------------|
|                                  | <b>Financial<br/>liabilities<br/>at<br/>fair value<br/>through<br/>profit or<br/>loss</b> | <b>Financial<br/>liabilities<br/>measured at<br/>amortized<br/>cost</b> | <b>Derivative<br/>financial<br/>instruments<br/>designated<br/>as hedged<br/>item</b> | <b>Total</b> |
| Derivative financial liabilities | ₩   |   | 86,458  | 86,458       |
| Borrowings                       |   | 78,619  |   | 78,619       |
| Debentures (*1)                  | 155,527   | 5,793,564   |   | 5,949,091    |

|  |           |           |        |           |
|--|-----------|-----------|--------|-----------|
| Accounts payable - other and others (*2) |           | 2,102,486 |        | 2,102,486 |
|  | ₩ 155,527 | 7,974,669 | 86,458 | 8,216,654 |

(In millions of won)

|  | December 31, 2015  |  |  |           |
|--|--|--|--|-----------|
|  | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | Total     |
| Derivative financial liabilities       | ₩  |  | 89,296   | 89,296    |
| Borrowings                             |  | 315,561  |  | 315,561   |
| Debentures (*1)                        | 155,704  | 5,457,421  |  | 5,613,125 |
| Accounts payable other and others (*2) |  | 2,171,141  |  | 2,171,141 |
|  | ₩ 155,704  | 7,944,123  | 89,296   | 8,189,123 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(2) Financial liabilities by categories as of June 30, 2016 and December 31, 2015 are as follows, Continued:

(\*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2016 and December 31, 2015 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to eliminate the difference in measurement bases with the related derivatives and bonds.

(\*2) Details of accounts payable and other payables as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|--|--------------------------|--------------------------|
| Accounts payable - other                           | ₩ 961,191                | 927,170                  |
| Withholdings                                       | 50                       |                          |
| Accrued expenses                                   | 550,100                  | 540,770                  |
| Current installments of long-term payables - other | 116,079                  | 120,185                  |
| Long-term payables - other                         | 440,841                  | 550,964                  |
| Other non-current liabilities                      | 34,225                   | 32,052                   |
|  | <b>₩ 2,102,486</b>       | <b>2,171,141</b>         |

**27. Financial Risk Management****(1) Financial risk management**

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

The Company's financial assets consist of cash and cash equivalents, financial instruments, available-for-sale financial assets, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

## 1) Market risk

(i) Currency risk

Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Company. The Company manages currency risk by currency forward, etc., if needed, to hedge currency risk on business transactions.



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Foreign currency monetary assets and liabilities as of June 30, 2016 are as follows:

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

|        | Assets             |                | Liabilities        |                |
|--------|--------------------|----------------|--------------------|----------------|
|        | Foreign currencies | Won equivalent | Foreign currencies | Won equivalent |
| USD    | 62,993             | 73,367         | 1,462,207          | 1,703,033      |
| EUR    | 7,408              | 9,597          |                    |                |
| JPY    | 96,201             | 1,089          |                    |                |
| AUD    |                    |                | 299,274            | 259,680        |
| CHF    |                    |                | 299,587            | 356,269        |
| Others |                    | 1,744          |                    | 6              |
|        |                    | ₩ 85,797       |                    | ₩ 2,318,988    |

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 15)

As of June 30, 2016, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

*(In millions of won)*

|        | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|--------|----------------------------|----------------------------|
| USD    | ₩ 6,889                    | (6,889)                    |
| EUR    | 960                        | (960)                      |
| JPY    | 109                        | (109)                      |
| Others | 174                        | (174)                      |
|        | ₩ 8,132                    | (8,132)                    |

## (ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity management and operating purpose. As of June 30, 2016, available-for-sale equity instruments measured at fair value amounts to ₩671,879 million.

## (iii) Interest rate risk

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

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

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk, Continued

The Company's interest rate risk arises from floating-rate borrowings and payables. As of June 30, 2016, floating-rate debentures amount to ₩349,410 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (See Note 15). Therefore, income before income taxes for the six-month period ended June 30, 2016 would not have been changed by the interest expense from floating-rate borrowings and debentures.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|   | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|---|--------------------------|--------------------------|
| Cash and cash equivalents                             | ₩ 646,198                | 431,636                  |
| Financial instruments                                 | 117,562                  | 131,562                  |
| Available-for-sale financial assets                   | 2,030                    | 2,030                    |
| Accounts receivable trade                             | 1,520,723                | 1,528,751                |
| Loans and receivables                                 | 1,014,566                | 521,723                  |
| Derivative financial assets                           | 124,626                  | 139,923                  |
| Financial assets at fair value through profit or loss | 6,695                    | 7,073                    |

₩ 3,432,400

2,762,698

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

For the six-month period ended June 30, 2016, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can arise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of June 30, 2016.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

(1) Financial risk management, Continued

3) Liquidity risk

Contractual maturities of financial liabilities as of June 30, 2016 are as follows:

*(In millions of won)*

|                                     | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash<br/>flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than 5<br/>years</b> |
|-------------------------------------|----------------------------|---------------------------------------|-----------------------------|--------------------|------------------------------|
| Borrowings(*)                       | ₩ 78,619                   | 85,640                                | 14,861                      | 57,154             | 13,625                       |
| Debentures(*)                       | 5,949,091                  | 7,201,909                             | 846,181                     | 2,930,047          | 3,425,681                    |
| Accounts payable - other and others | 2,102,486                  | 2,123,750                             | 1,585,341                   | 538,409            |                              |
|                                     | ₩ 8,130,196                | 9,411,299                             | 2,446,383                   | 3,525,610          | 3,439,306                    |

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

(\*) Includes interest to be paid.

As of June 30, 2016, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

*(In millions of won)*

|             | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash<br/>flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than 5<br/>years</b> |
|-------------|----------------------------|---------------------------------------|-----------------------------|--------------------|------------------------------|
| Assets      | ₩ 114,665                  | 122,752                               | 1,785                       | 97,692             | 23,275                       |
| Liabilities | (86,458)                   | (88,457)                              | (12,384)                    | (76,073)           |                              |
|             | ₩ 28,207                   | 34,295                                | (10,599)                    | 21,619             | 23,275                       |

(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2015.

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

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

## (2) Capital management, Continued

Debt-equity ratios as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                    | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--------------------|----------------------|--------------------------|
| Total liabilities  | ₩ 9,379,019          | 9,367,480                |
| Total equity       | 13,802,819           | 13,779,460               |
| Debt-equity ratios | 67.95%               | 67.98%                   |

## (3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2016 are as follows:

*(In millions of won)*

|   | <b>Carrying<br/>amount</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------------------|----------------|----------------|----------------|--------------|
| <b>Financial assets that are measured at fair value:</b>      |                            |                |                |                |              |
| Financial assets at fair value through profit or loss         | ₩ 16,656                   |                | 9,961          | 6,695          | 16,656       |
| Derivative financial assets                                   | 114,665                    |                | 114,665        |                | 114,665      |
| Available-for-sale financial assets                           | 671,879                    | 600,197        | 47,494         | 24,188         | 671,879      |
|   | ₩ 803,200                  | 600,197        | 172,120        | 30,883         | 803,200      |
| <b>Financial liabilities that are measured at fair value:</b> |                            |                |                |                |              |
|   | ₩ 155,527                  |                | 155,527        |                | 155,527      |

|   |                    |                  |                  |
|---|--------------------|------------------|------------------|
| <b>Financial liabilities at fair value through profit or loss</b> |                    |                  |                  |
| Derivative financial liabilities                                  | 86,458             | 86,458           | 86,458           |
|   | <b>₩ 241,985</b>   | <b>241,985</b>   | <b>241,985</b>   |
| <b>Financial liabilities that are not measured at fair value:</b> |                    |                  |                  |
| Borrowings  | <b>₩ 78,619</b>    | <b>81,768</b>    | <b>81,768</b>    |
| Debentures  | 5,793,564          | 6,391,877        | 6,391,877        |
|   | <b>₩ 5,872,183</b> | <b>6,473,645</b> | <b>6,473,645</b> |



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2015 are as follows:

*(In millions of won)*

|   | Carrying<br>amount | Level 1 | Level 2   | Level 3 | Total     |
|---|--------------------|---------|-----------|---------|-----------|
| <b>Financial assets that are measured at fair value:</b>          |                    |         |           |         |           |
| Financial assets at fair value through profit or loss             | ₩ 13,350           |         | 6,277     | 7,073   | 13,350    |
| Derivative financial assets                                       | 133,646            |         | 133,646   |         | 133,646   |
| Available-for-sale financial assets                               | 655,845            | 579,282 | 47,262    | 29,301  | 655,845   |
|   | ₩ 802,841          | 579,282 | 187,185   | 36,374  | 802,841   |
| <b>Financial liabilities that are measured at fair value:</b>     |                    |         |           |         |           |
| Financial liabilities at fair value through profit or loss        | ₩ 155,704          |         | 155,704   |         | 155,704   |
| Derivative financial liabilities                                  | 89,296             |         | 89,296    |         | 89,296    |
|   | ₩ 245,000          |         | 245,000   |         | 245,000   |
| <b>Financial liabilities that are not measured at fair value:</b> |                    |         |           |         |           |
| Borrowings  | ₩ 315,561          |         | 316,726   |         | 316,726   |
| Debentures  | 5,457,421          |         | 5,887,378 |         | 5,887,378 |
|   | ₩ 5,772,982        |         | 6,204,104 |         | 6,204,104 |

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

Available-for-sale financial assets amounting to ₩400,290 million and ₩155,849 million as of June 30, 2016 and December 31, 2015, respectively, are measured at cost in accordance with K-IFRS 1039 since they are considered as equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) and cannot be reliably measured using other valuation methods.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

## (3) Fair value, Continued

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

The Company uses various valuation methods for determination of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Company performs valuation using the inputs which are consistent with natures of assets and liabilities measured.

Interest rates used by the Company for the fair value measurement as of June 30, 2016 are as follows:

|                           | <b>Interest rate</b> |
|---------------------------|----------------------|
| Derivative instruments    | 1.82 ~ 2.99%         |
| Borrowings and debentures | 1.57%                |

- 3) There have been no transfers between Level 2 and Level 1 for the six-month period ended June 30, 2016 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2016 are as follows:

(In millions of won)

|   | <b>Balance<br/>at<br/>January<br/>1,<br/>2016</b> | <b>Loss for the<br/>period</b> | <b>Other<br/>comprehensive<br/>loss</b> | <b>Disposal</b> | <b>Balance at<br/>June 30,<br/>2016</b> |
|---|---|--------------------------------|---|-----------------|---|
| Financial assets at fair value through profit or loss | ₩ 7,073   | (378)                          |   |                 | 6,695                                   |
| Available-for-sale financial assets                   | 29,301  |                                | (6)                                     | (5,107)         | 24,188                                  |



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2016 are as follows:

*(In millions of won)*

|                                      | <b>Gross financial instruments recognized</b> | <b>Amount offset</b> | <b>Net financial instruments presented on the statement of financial position</b> | <b>Relevant financial instruments not offset</b> | <b>Net amount</b> |
|--------------------------------------|---|----------------------|---|--|-------------------|
| <b>Financial assets:</b>             |   |                      |   |  |                   |
| Derivatives(*)                       | ₩ 55,876                                      |                      | 55,876  | (55,876)   |                   |
| Accounts receivable trade and others | 130,173                                       | (113,781)            | 16,392  |  | 16,392            |
|                                      | ₩ 186,049                                     | (113,781)            | 72,268  | (55,876)   | 16,392            |
| <b>Financial liabilities:</b>        |   |                      |   |  |                   |
| Derivatives(*)                       | ₩ 86,458                                      |                      | 86,458  | (55,876)   | 30,582            |
| Accounts payable other and others    | 113,781                                       | (113,781)            |   |  |                   |
|                                      | ₩ 200,239                                     | (113,781)            | 86,458  | (55,876)   | 30,582            |

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>Gross financial instruments recognized</b> | <b>Amount offset</b> | <b>Net financial instruments presented on the statement of financial position</b> | <b>Relevant financial instruments not offset</b> | <b>Net amount</b> |
|--|---|----------------------|---|--|-------------------|
|--|---|----------------------|---|--|-------------------|

| <b>Financial assets:</b>             |   |         |           |        |          |        |
|--------------------------------------|---|---------|-----------|--------|----------|--------|
| Derivatives(*)                       | ₩ | 55,673  |           | 55,673 | (55,673) |        |
| Accounts receivable trade and others |   | 129,527 | (113,003) | 16,524 |          | 16,524 |
|                                      | ₩ | 185,200 | (113,003) | 72,197 | (55,673) | 16,524 |
| <b>Financial liabilities:</b>        |   |         |           |        |          |        |
| Derivatives(*)                       | ₩ | 89,734  |           | 89,734 | (55,673) | 34,061 |
| Accounts payable other and others    |   | 113,003 | (113,003) |        |          |        |
|                                      | ₩ | 202,737 | (113,003) | 89,734 | (55,673) | 34,061 |

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

## 28. Transactions with Related Parties

(1) List of related parties

| <b>Relationship</b>         | <b>Company</b>  |
|-----------------------------|---|
| Ultimate Controlling Entity | SK Holdings Co., Ltd.   |
| Subsidiaries                | SK Planet Co., Ltd. and 37 other companies(*)                             |
| Joint ventures              | Dogus Planet, Inc. and 3 other companies                                  |
| Associates                  | SK hynix Inc. and 50 other companies                                      |
| Affiliates                  | The Ultimate Controlling Entity s other subsidiaries and associates, etc. |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

(\*) As of June 30, 2016, subsidiaries of the Company are as follows:

| <b>Company</b>                          | <b>Ownership<br/>percentage (%)</b> | <b>Types of business</b>  |
|---|-------------------------------------|---|
| SK Telink Co., Ltd.                     | 83.5                                | Telecommunication and MVNO(Mobile Virtual Network Operator) service |
| M&Service Co., Ltd.                     | 100.0                               | Database and internet website service                               |
| SK Communications Co., Ltd.             | 64.5                                | Internet website services   |
| Stonebridge Cinema Fund                 | 55.2                                | Investment  |
| SK Broadband Co., Ltd.                  | 100.0                               | Telecommunication services  |
| K-net Culture and Contents Venture Fund | 59.0                                | Investment  |
| Fitech Focus Limited Partnership II     | 66.7                                | Investment  |
| Open Innovation Fund                    | 98.9                                | Investment  |
| PS&Marketing Corporation                | 100.0                               | Communications device retail business                               |
| Service Ace Co., Ltd.                   | 100.0                               | Customer center management service                                  |
| Service Top Co., Ltd.                   | 100.0                               | Customer center management service                                  |
| Network O&S Co., Ltd.                   | 100.0                               | Base station maintenance service                                    |
| SK Planet Co., Ltd.                     | 100.0                               | Telecommunication services  |
| Neosnetworks Co., Ltd.                  | 83.9                                | Security systems service  |
| IRIVER LIMITED                          | 48.9                                | Manufacturing of media and audio equipment                          |
| iriver Enterprise Ltd.                  | 100.0                               | Management of Chinese subsidiaries                                  |
| iriver America Inc.                     | 100.0                               | Sales and marketing in North America                                |
| iriver Inc.                             | 100.0                               | Sales and marketing in North America                                |
| iriver China Co., Ltd.                  | 100.0                               | Sales and manufacturing of MP3 and 4 in China                       |
| Dongguan iriver Electronics Co., Ltd.   | 100.0                               | Sales and Manufacturing of e-book in China                          |
| groovers Japan Co., Ltd.                | 100.0                               |   |

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|   |       |  |
|---|-------|--|
|   |       | Digital music contents sourcing and distribution service |
| Entrix Co., Ltd.  | 100.0 | Cloud streaming service                                  |
| SK Telecom China Holdings Co., Ltd.   | 100.0 | Investment   |
| SK Global Healthcare Business Group, Ltd.   | 100.0 | Investment   |
| SK Planet Japan, K. K.  | 100.0 | Digital contents sourcing service                        |
| SKT Vietnam PTE. Ltd.   | 73.3  | Telecommunication services                               |
| SK Planet Global PTE. Ltd.  | 100.0 | Digital contents sourcing service                        |
| SKP GLOBAL HOLDINGS PTE. LTD.   | 100.0 | Investment   |
| SKT Americas, Inc.  | 100.0 | Information gathering and consulting                     |
| SKP America LLC.  | 100.0 | Digital contents sourcing service                        |
| YTK Investment Ltd.   | 100.0 | Investment   |
| Atlas Investment  | 100.0 | Investment   |
| SK Telecom Innovation Fund, L.P. (formerly, Technology Innovation Partners, L.P.)(*). | 100.0 | Investment   |
| SK Telecom China Fund I L.P.  | 100.0 | Investment   |
| shopkick Management Company, Inc.   | 100.0 | Investment   |
| shopkick, Inc.  | 100.0 | Mileage-based online transaction application development |
| SK techx Co., Ltd.  | 100.0 | System software development and supply                   |
| One Store Co., Ltd.   | 65.5  | Telecommunication services                               |

(\*) Changed its name to SK Telecom Innovation Fund, L.P. during the six-month period ended June 30, 2016.



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

## (2) Compensation for the key management members

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management members. The compensation given to such key management members for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>    | 2016                                   |                                      | 2015                                   |                                      |
|--------------------------------|--|--------------------------------------|--|--------------------------------------|
|                                | Three-month period<br>ended<br>June 30 | Six-month period<br>ended<br>June 30 | Three-month period<br>ended<br>June 30 | Six-month period<br>ended<br>June 30 |
| Salaries                       | ₩ 221                                  | 1,201                                | 203                                    | 1,560                                |
| Defined benefits plan expenses | 47                                     | 328                                  | 421                                    | 542                                  |
|                                | ₩ 268                                  | 1,529                                | 624                                    | 2,102                                |

Compensation for the key management members includes salaries, non-monetary salaries and contributions made in relation to pension plans.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

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

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|   |          |         |         |           |        |         |       |       |       |
|---|----------|---------|---------|-----------|--------|---------|-------|-------|-------|
| SK Wyverns Baseball Club Co., Ltd.      | 285      | 568     | 10      | 14,310    |        |         |       |       |       |
| KEB HanaCard Co., Ltd.                  | 4,994    | 9,999   | 4,668   | 7,479     |        |         |       |       |       |
| Others(*4)                              | 6,082    | 6,082   | 420     | 1,785     | 43     | 43      | 1,100 | 1,100 | 1,700 |
|   | 17,842   | 98,167  | 16,179  | 47,764    | 3,515  | 3,913   | 1,100 | 1,100 | 1,700 |
| SK Engineering & Construction Co., Ltd. | 1,528    | 2,309   | 396     | 831       | 645    | 645     |       |       |       |
| SK Networks Co., Ltd.                   | 1,291    | 2,540   | 4,319   | 8,215     |        |         |       |       |       |
| SK Networks service Co., Ltd.           | 272      | 496     | 11,228  | 23,070    | 493    | 532     |       |       |       |
| SK Telesys Co., Ltd.                    | 32       | 47      | 1,774   | 3,760     | 6,321  | 24,131  |       |       |       |
| SK TNS Co., Ltd.                        | 24       | 42      | 10,515  | 10,515    | 57,865 | 57,865  |       |       |       |
| Others                                  | 4,998    | 9,181   | 414     | 9,893     | 1,443  | 2,141   |       |       |       |
|   | 8,145    | 14,615  | 28,646  | 56,284    | 66,767 | 85,314  |       |       |       |
|   | ₩ 97,775 | 258,031 | 847,307 | 1,940,162 | 89,060 | 116,276 | 1,100 | 1,100 | 1,700 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three and six-month periods ended June 30, 2016 and 2015 are as follows, Continued:

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

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

(\*3) Operating revenue and others include ~~₩~~73,050 million of dividends received.

(\*4) Operating revenue and others include ~~₩~~6,082 million of dividends received from Korea IT Fund.

(\*5) Operating expenses and others include ~~₩~~394,693 million paid to PS&Marketing Corporation relating to purchase of accounts receivables from the sale of handsets.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three and six-month periods ended June 30, 2016 and 2015 are as follows, Continued:

*(In millions of won)*

| Scope                       | Company                          | 2015                             |                                |                                  |                                |                                       |                                |                                  |                                |
|-----------------------------|----------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                             |                                  | Operating revenue and others     |                                | Operating expense and others     |                                | Acquisition of property and equipment |                                | Loans                            |                                |
|                             |                                  | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30      | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Ultimate Controlling Entity | SK Holdings Co., Ltd. (*1,4)     | ₩ 206                            | 347                            | 6,847                            | 184,576                        |                                       |                                |                                  |                                |
| Subsidiaries                | SK Broadband Co., Ltd.           | 38,684                           | 64,378                         | 133,507                          | 260,899                        | 1,977                                 | 2,000                          |                                  |                                |
|                             | PS&Marketing Corporation         | 2,995                            | 5,621                          | 170,365                          | 416,028                        | 249                                   | 315                            |                                  |                                |
|                             | Network O&S Co., Ltd.            | 656                              | 1,559                          | 47,674                           | 79,673                         |                                       |                                |                                  |                                |
|                             | SK Planet Co., Ltd.              | 16,013                           | 27,183                         | 134,795                          | 266,743                        | 1,640                                 | 1,720                          |                                  |                                |
|                             | SK Telink Co., Ltd.              | 16,242                           | 30,296                         | 5,575                            | 13,507                         |                                       |                                |                                  |                                |
|                             | Service Ace Co., Ltd.            | 1,907                            | 3,805                          | 35,472                           | 75,406                         |                                       |                                |                                  |                                |
|                             | Service Top Co., Ltd.            | 2,138                            | 4,121                          | 39,238                           | 78,122                         |                                       |                                |                                  |                                |
|                             | Others                           | 3,206                            | 6,235                          | 7,149                            | 15,040                         | 72                                    | 150                            |                                  |                                |
|                             |                                  | 81,841                           | 143,198                        | 573,775                          | 1,205,418                      | 3,938                                 | 4,185                          |                                  |                                |
| Associates                  | F&U Credit information Co., Ltd. | 404                              | 853                            | 9,205                            | 20,718                         |                                       |                                |                                  |                                |

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|              |   |                  |                |                |                  |                |                |
|--------------|---|------------------|----------------|----------------|------------------|----------------|----------------|
|              | HappyNarae Co., Ltd.                    | 16               | 34             | 1,340          | 1,755            | 2,323          | 2,643          |
|              | SK hynix Inc.(*2)                       | 1,610            | 48,198         | 2,194          | 2,199            |                |                |
|              | SK Wyverns Baseball Club Co., Ltd.      | 279              | 561            | 1,302          | 10,908           |                |                |
|              | KEB HanaCard Co., Ltd.                  | 5,418            | 10,850         | 2,837          | 8,223            |                |                |
|              | Others(*3)                              | 2,429            | 2,544          | 1,715          | 3,437            | 11             | 11             |
|              |   | 10,156           | 63,040         | 18,593         | 47,240           | 2,334          | 2,654          |
| Other        | SK Engineering & Construction Co., Ltd. | 764              | 4,138          | 7,594          | 8,590            | 56,071         | 83,615         |
|              | SK C&C Co., Ltd.(*4)                    | 806              | 2,026          | 63,560         | 121,686          | 34,720         | 63,442         |
|              | SK Networks Co., Ltd.                   | 3,506            | 4,446          | 4,368          | 8,276            |                |                |
|              | SK Networks service Co., Ltd.           | 2,433            | 4,731          | 14,282         | 17,160           | 423            | 427            |
|              | SK Telesys Co., Ltd.                    | 46               | 95             | 1,639          | 3,854            | 8,830          | 47,948         |
|              | Others                                  | 3,785            | 6,331          | 6,898          | 12,734           | 1,575          | 1,882          |
|              |   | 11,340           | 21,767         | 98,341         | 172,300          | 101,619        | 197,314        |
| <b>Total</b> |   | <b>₩ 103,543</b> | <b>228,352</b> | <b>697,556</b> | <b>1,609,534</b> | <b>107,891</b> | <b>204,153</b> |
|              |   |                  |                |                |                  |                | <b>500</b>     |

(\*1) Operating expense and others include ~~₩~~171,053 million of dividends paid by the Company.

(\*2) Operating revenue and others include ~~₩~~43,830 million of dividends received from SK hynix Inc.

(\*3) Operating revenue and others include ~~₩~~2,103 million and ~~₩~~227 million of dividends received from Korea IT Fund and UniSK, respectively.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2016 and 2015 are as follows, Continued:

(\*4) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Company, and changed its name to SK Holdings Co., Ltd.

(4) Account balances as of June 30, 2016 and December 31, 2015 are as follows:

(In millions of  
won)

| Scope                             | Company                            | June 30, 2016 |                                   |                                      |
|-----------------------------------|------------------------------------|---------------|-----------------------------------|--------------------------------------|
|                                   |                                    | Loans         | Accounts receivable<br>and others | Accounts payable<br>trade and others |
| Ultimate<br>Controlling<br>Entity | SK Holdings Co., Ltd.              | ₩             | 3,495                             | 37,031                               |
| Subsidiaries                      | SK Broadband Co., Ltd.             |               | 2,000                             | 10,526                               |
|                                   | PS&Marketing Corporation           |               | 1,195                             | 116,802                              |
|                                   | Network O&S Co., Ltd.              |               | 1,248                             | 24,937                               |
|                                   | SK Planet Co., Ltd.                |               | 6,185                             | 26,493                               |
|                                   | SK Telink Co., Ltd.                |               | 10,791                            | 3,667                                |
|                                   | Service Ace Co., Ltd.              |               |                                   | 19,912                               |
|                                   | Service Top Co., Ltd.              |               | 10                                | 21,421                               |
|                                   | SK techx Co., Ltd                  |               | 26                                | 9,732                                |
|                                   | One Store Co., Ltd                 |               |                                   | 16,830                               |
|                                   | Others(*)                          |               |                                   | 10,123                               |
|                                   |                                    |               | 31,578                            | 272,469                              |
| Associates                        | HappyNarae Co., Ltd.               |               |                                   | 2,367                                |
|                                   | SK hynix Inc.                      |               | 4,906                             | 183                                  |
|                                   | SK Wyverns Baseball Club Co., Ltd. | 1,017         | 10                                | 21                                   |
|                                   | Wave City Development Co., Ltd.    | 1,290         | 38,412                            |                                      |

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|       |   |          |        |         |
|-------|---|----------|--------|---------|
|       | Daehan Kanggun BcN Co., Ltd.              | 22,147   | 7,791  |         |
|       | KEB HanaCard Co., Ltd.                    |          | 1,639  | 2,199   |
|       | Others                                    |          | 16     | 1,726   |
|       |   | 24,454   | 52,774 | 6,496   |
| Other | SK Engineering and Construction Co., Ltd. |          | 1,272  | 208     |
|       | SK Networks Co., Ltd.                     |          | 670    | 1,951   |
|       | SK Networks Services Co., Ltd.            |          |        | 4,027   |
|       | SK Telesys Co., Ltd.                      |          | 22     | 7,003   |
|       | SK Innovation Co., Ltd.                   |          | 1,427  | 526     |
|       | SK TNS Co., Ltd.                          |          |        | 14,597  |
|       | Others                                    |          | 2,001  | 8,937   |
|       |   |          | 5,392  | 37,249  |
|       |   | ₩ 24,454 | 93,239 | 353,245 |

(\*) The convertible bonds amounting to ₩6,695 million are included in accounts receivable - trade and others.



**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**28. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won)*

| Scope                              | Company  | December 31, 2015    |                                |                                   |         |
|------------------------------------|--|----------------------|--------------------------------|-----------------------------------|---------|
|                                    |  | Loans                | Accounts receivable and others | Accounts payable trade and others |         |
| Ultimate Controlling Entity        | SK Holdings Co., Ltd. (formerly, SK C&C Co., Ltd.)(*)) | ₩                    | 1,100                          | 107,995                           |         |
| Subsidiaries                       | SK Broadband Co., Ltd.                                 |                      | 2,160                          | 24,847                            |         |
|                                    | PS&Marketing Corporation                               |                      | 614                            | 62,592                            |         |
|                                    | Network O&S Co., Ltd.                                  |                      | 665                            | 33,658                            |         |
|                                    | SK Planet Co., Ltd.                                    |                      | 6,722                          | 36,874                            |         |
|                                    | SK Telink Co., Ltd.                                    |                      | 10,026                         | 3,068                             |         |
|                                    | Service Ace Co., Ltd.                                  |                      |                                | 20,684                            |         |
|                                    | Service Top Co., Ltd.                                  |                      | 63                             | 21,772                            |         |
|                                    | Others   |                      | 4,722                          | 17,116                            |         |
|                                    |  |                      |                                | 24,972                            | 220,611 |
|                                    | Associates   | HappyNarae Co., Ltd. |                                |                                   | 4,987   |
| SK hynix Inc.                      |  |                      | 4,360                          | 155                               |         |
| SK Wyverns Baseball Club Co., Ltd. |  | 1,017                | 4,502                          |                                   |         |
| Wave City Development Co., Ltd.    |  | 1,890                | 38,412                         |                                   |         |
| Daehan Kanggun BcN Co., Ltd.       |  | 22,147               |                                |                                   |         |
| KEB HanaCard Co., Ltd.             |  |                      | 1,771                          | 7,262                             |         |
| Others                             |  |                      | 74                             | 1,838                             |         |
|                                    |  | 25,054               | 49,119                         | 14,242                            |         |
| Other                              | SK Engineering and Construction Co., Ltd.              |                      | 648                            | 14,877                            |         |
|                                    | SK Networks Co., Ltd.                                  |                      | 656                            | 924                               |         |
|                                    | SK Networks Services Co., Ltd.                         |                      |                                | 8,963                             |         |
|                                    | SK Telesys Co., Ltd.                                   |                      | 117                            | 3,585                             |         |
|                                    | SK Innovation Co., Ltd.                                |                      | 2,133                          | 292                               |         |

|        |       |        |
|--------|-------|--------|
| Others | 2,581 | 39,193 |
|--------|-------|--------|

|  |       |        |
|--|-------|--------|
|  | 6,135 | 67,834 |
|--|-------|--------|

|          |        |         |
|----------|--------|---------|
| ₩ 25,054 | 81,326 | 410,682 |
|----------|--------|---------|

(\*) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Company, and changed its name to SK Holdings Co., Ltd.

(5) The Company made an additional investments in associates and joint ventures during the six-month period ended June 30, 2016 as presented in Note 7.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**29. Sale and Leaseback**

For the year ended December 31, 2012, the Company disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. These sale and leaseback transactions were accounted for as an operating leases.

The Company recognized lease payment of ₩7,382 million and ₩7,270 million, respectively, in relation to the operating lease agreements and lease revenue of ₩4,534 million and ₩4,770 million, respectively, in relation to sublease agreements for the six-month periods ended June 30, 2016 and 2015. Future lease payments and revenue from the operating lease agreements and sublease agreements are as follows:

| <i>(In millions of won)</i> | <b>Lease payments</b> | <b>Revenue</b> |
|-----------------------------|-----------------------|----------------|
| Less than 1 year            | ₩ 15,200              | 9,105          |
| 1~5 years                   | 52,894                | 26,529         |
| More than 5 years           | 20,768                | 9,419          |
|                             | ₩ 88,862              | 45,053         |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**30. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | <b>For the six-month period ended</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>June 30,</b>                       | <b>June 30, 2015</b> |
|   | <b>2016</b>                           |                      |
| Interest income   | ₩ (12,218)                            | (11,160)             |
| Gain on disposal of accounts receivable - trade                             | (7,855)                               |                      |
| Dividends   | (96,433)                              | (56,731)             |
| Gain on foreign currency translation  | (111)                                 | (1,098)              |
| Gain relating to financial liabilities at fair value through profit or loss | (177)                                 | (5,188)              |
| Gain on disposal of long-term investment securities                         | (1,751)                               | (2,828)              |
| Gain on disposal of property and equipment and intangible assets            | (870)                                 | (937)                |
| Gain on valuation of derivatives  | (3,684)                               | (1,030)              |
| Other income  | (567)                                 |                      |
| Loss on foreign currency translation  | 340                                   | 25                   |
| Bad debt for accounts receivable - trade                                    | 11,724                                | 23,612               |
| Bad debt for accounts receivable - other                                    | 3,413                                 | 4,085                |
| Loss related to Investments in associates and joint ventures                | 47,618                                |                      |
| Loss on disposal of long-term investments securities                        | 44                                    | 2                    |
| Loss relating to financial assets at fair value through profit or loss      | 378                                   | 689                  |
| Other finance costs   | 815                                   | 32                   |
| Depreciation and amortization   | 1,146,728                             | 1,113,981            |
| Loss on disposal of property and equipment and intangible assets            | 9,970                                 | 2,056                |
| Interest expenses   | 116,707                               | 121,132              |
| Loss relating to financial liabilities at fair value through profit or loss |                                       | 174                  |
| Loss on settlement of derivatives   | 319                                   | 4,517                |
| Retirement benefit expenses   | 18,505                                | 17,826               |

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|                    |             |           |
|--------------------|-------------|-----------|
| Income tax expense | 179,780     | 170,359   |
| Other expenses     | 11,098      | 4,028     |
|                    | ₩ 1,423,773 | 1,383,546 |

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | <b>For the six-month period ended</b> |                      |
|-------------------------------|---------------------------------------|----------------------|
|                               | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Accounts receivable trade     | ₩ 4,334                               | (61,178)             |
| Accounts receivable other     | (431,081)                             | 2,495                |
| Advance payments              | 7,770                                 | (32,173)             |
| Prepaid expenses              | 2,257                                 | 3,561                |
| Inventories                   | 7,297                                 | (11,100)             |
| Long-term receivables - other | (45,498)                              |                      |
| Long-term prepaid expenses    | 1,110                                 | (1,296)              |
| Guarantee deposits            | 1,168                                 | (8,397)              |
| Accounts payable other        | 247,598                               | (95,177)             |
| Advanced receipts             | 17,156                                | 16,966               |
| Withholdings                  | 22,100                                | (161,073)            |
| Deposits received             | 2,172                                 | (7,164)              |
| Accrued expenses              | 711                                   | (189,574)            |
| Unearned revenue              | (9,368)                               | (58,743)             |
| Provisions                    | (946)                                 | (11,476)             |
| Long-term provisions          |                                       | (9,393)              |
| Plan assets                   | (7,650)                               | (5,357)              |
| Retirement benefit payment    | (3,755)                               | (20,266)             |
| Others                        | (72)                                  | 1,358                |
|                               | ₩ (184,697)                           | (647,987)            |

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                          |
|-----------------------------|---------------------------------------|--------------------------|
|                             | <b>June 30,<br/>2016</b>              | <b>June 30,<br/>2015</b> |
|                             | ₩ 216,612                             | 142,839                  |

Decrease of accounts payable - other related to  
acquisition of property and equipment and intangible  
assets

### **31. Commitments**

(1) Accounts receivables from the sale of handsets

The agents of the Company sell handsets to our subscribers on an installment basis. During the six-month period ended June 30, 2016, the Company entered into comprehensive agreement to purchase the accounts receivables from the handset sales with agents and to transfer the accounts receivables from the handset sales to a Special Purpose Company, respectively.

**Table of Contents**

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

The accounts receivables from the sale of handsets amounting to ₩460,802 million as of June 30, 2016, which the Company purchased according to the relevant comprehensive agreement are recognized as accounts receivable other.

(2) Frequency usage rights

During the six-month period ended June 30, 2016, the Company secured bandwidth blocs in the 2.6 GHz band for ₩1,330,100 million at the spectrum auction held by the Ministry of Science, ICT and Future Planning (MSIP) of Korea. The consideration will be paid on an annual installment basis for 10 years from August 2016 with the Company acquiring ownership of the frequency usage rights on the first payment of installments.

**32. Interim dividends**

On July 28, 2016, the Board of Directors of the Company resolved to pay interim cash dividends of ₩1,000 per share totaling ₩70,609 million (market dividend rate: 0.48%). The ex-dividend date was June 30, 2016 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.



**Table of Contents**

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

Condensed Consolidated Interim Financial Statements

(Unaudited)

**June 30, 2016 and 2015**

(With Independent Auditors' Review Report Thereon)

**Table of Contents**

**Contents**

|   | <b>Page</b> |
|---|-------------|
| <b><u>Independent Auditors' Review Report</u></b>                       | 1           |
| <u>Condensed Consolidated Statements of Financial Position</u>          | 3           |
| <u>Condensed Consolidated Statements of Income</u>                      | 5           |
| <u>Condensed Consolidated Statements of Comprehensive Income</u>        | 6           |
| <u>Condensed Consolidated Statements of Changes in Equity</u>           | 7           |
| <u>Condensed Consolidated Statements of Cash Flows</u>                  | 8           |
| <u>Notes to the Condensed Consolidated Interim Financial Statements</u> | 10          |

## **Table of Contents**

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of June 30, 2016, the related condensed consolidated statements of income and comprehensive income for the three and six-month periods ended June 30, 2016 and 2015, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility**

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

### **Auditors' responsibility**

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

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

### **Conclusion**

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

**Table of Contents**

**Other matters**

The consolidated statement of financial position of the Group as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2016, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2015, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

August 5, 2016

This report is effective as of August 5, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of June 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>                  | <i>Note</i>   | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--|---------------|--------------------------|------------------------------|
| <b>Assets:</b>                               |               |                          |                              |
| <b>Current Assets:</b>                       |               |                          |                              |
| Cash and cash equivalents                    | 32,33         | ₩ 1,099,561              | 768,922                      |
| Short-term financial instruments             | 5,32,33,35    | 585,160                  | 691,090                      |
| Short-term investment securities             | 8,32,33       | 346,694                  | 92,262                       |
| Accounts receivable trade, net               | 6,32,33,34    | 2,199,983                | 2,344,867                    |
| Short-term loans, net                        | 6,32,33,34    | 66,187                   | 53,895                       |
| Accounts receivable other, net               | 6,32,33,34,35 | 1,273,406                | 673,739                      |
| Prepaid expenses                             |               | 156,581                  | 151,978                      |
| Inventories, net                             | 7             | 270,871                  | 273,556                      |
| Advanced payments and other                  | 6,8,32,33     | 101,262                  | 109,933                      |
| Assets classified as held for sale           | 9             | 18,860                   |                              |
| <b>Total Current Assets</b>                  |               | <b>6,118,565</b>         | <b>5,160,242</b>             |
| <b>Non-Current Assets:</b>                   |               |                          |                              |
| Long-term financial instruments              | 5,32,33,35    | 10,598                   | 10,623                       |
| Long-term investment securities              | 8,32,33       | 1,046,661                | 1,207,226                    |
| Investments in associates and joint ventures | 11            | 6,929,114                | 6,896,293                    |
| Property and equipment, net                  | 12,34,35      | 9,716,070                | 10,371,256                   |
| Investment property, net                     | 13            | 8,246                    | 15,071                       |
| Goodwill                                     | 14            | 1,912,065                | 1,908,590                    |
| Intangible assets, net                       | 15            | 2,070,189                | 2,304,784                    |
| Long-term loans, net                         | 6,32,33,34    | 61,572                   | 62,454                       |
| Long-term accounts receivable - other        | 6,32,33,35    | 47,983                   | 2,420                        |
| Long-term prepaid expenses                   | 35            | 80,250                   | 76,034                       |
| Guarantee deposits                           | 6,32,33,34    | 298,232                  | 297,281                      |
| Long-term derivative financial assets        | 21,32,33      | 150,839                  | 166,399                      |
| Deferred tax assets                          | 30            | 18,558                   | 17,257                       |
| Other non-current assets                     | 6,32,33       | 60,448                   | 85,457                       |
| <b>Total Non-Current Assets</b>              |               | <b>22,410,825</b>        | <b>23,421,145</b>            |
| <b>Total Assets</b>                          |               | <b>₩ 28,529,390</b>      | <b>28,581,387</b>            |

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2016 and December 31, 2015

| <i>(In millions of won)</i>                               | <i>Note</i>     | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|-----------------|--------------------------|------------------------------|
| <b>Liabilities and Shareholders Equity:</b>               |                 |                          |                              |
| <b>Current Liabilities:</b>                               |                 |                          |                              |
| Short-term borrowings                                     | <i>16,32,33</i> | ₩ 85,000                 | 260,000                      |
| Current installments of long-term debt, net               | <i>16,32,33</i> | 895,620                  | 703,087                      |
| Current installments of finance lease liabilities         | <i>32,33</i>    |                          | 26                           |
| Current installments of long-term payables other          | <i>17,32,33</i> | 116,079                  | 120,185                      |
| Accounts payable - trade                                  | <i>32,33,34</i> | 251,106                  | 279,782                      |
| Accounts payable - other                                  | <i>32,33,34</i> | 1,141,810                | 1,323,434                    |
| Withholdings  | <i>32,33</i>    | 955,840                  | 865,327                      |
| Accrued expenses  | <i>32,33</i>    | 1,028,226                | 920,739                      |
| Income tax payable  | <i>30</i>       | 341,036                  | 381,794                      |
| Unearned revenue  |                 | 205,779                  | 224,233                      |
| Derivative financial liabilities                          | <i>21,32,33</i> | 15,370                   |                              |
| Provisions  | <i>18</i>       | 36,025                   | 40,988                       |
| Receipts in advance                                       |                 | 148,051                  | 136,844                      |
| Other current liabilities                                 |                 | 55                       | 54                           |
| <b>Total Current Liabilities</b>                          |                 | <b>5,219,997</b>         | <b>5,256,493</b>             |
| <b>Non-Current Liabilities:</b>                           |                 |                          |                              |
| Debentures, excluding current installments, net           | <i>16,32,33</i> | 6,567,440                | 6,439,147                    |
| Long-term borrowings, excluding current installments, net | <i>16,32,33</i> | 104,556                  | 121,553                      |
| Long-term payables other                                  | <i>17,32,33</i> | 471,828                  | 581,697                      |
| Long-term unearned revenue                                |                 | 2,717                    | 2,842                        |
| Defined benefit liabilities                               | <i>20</i>       | 149,376                  | 98,856                       |
| Long-term derivative financial liabilities                | <i>21,32,33</i> | 71,088                   | 89,296                       |
| Long-term provisions                                      | <i>18</i>       | 37,023                   | 29,217                       |
| Deferred tax liabilities                                  | <i>30</i>       | 492,058                  | 538,114                      |
| Other non-current liabilities                             | <i>32,33</i>    | 45,814                   | 50,076                       |
| <b>Total Non-Current Liabilities</b>                      |                 | <b>7,941,900</b>         | <b>7,950,798</b>             |
| <b>Total Liabilities</b>                                  |                 | <b>13,161,897</b>        | <b>13,207,291</b>            |
| <b>Shareholders Equity</b>                                |                 |                          |                              |
| Share capital   | <i>1,22</i>     | 44,639                   | 44,639                       |

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|  |          |                     |                   |
|--|----------|---------------------|-------------------|
| Capital surplus and others                                 | 22,23,24 | 191,684             | 189,510           |
| Retained earnings  | 25       | 15,214,203          | 15,007,627        |
| Reserves   | 26       | (232,405)           | 9,303             |
| <b>Equity attributable to owners of the Parent Company</b> |          | <b>15,218,121</b>   | <b>15,251,079</b> |
| <b>Non-controlling interests</b>                           |          | <b>149,372</b>      | <b>123,017</b>    |
| <b>Total Shareholders Equity</b>                           |          | <b>15,367,493</b>   | <b>15,374,096</b> |
| <b>Total Liabilities and Shareholders Equity</b>           |          | <b>₩ 28,529,390</b> | <b>28,581,387</b> |

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three and six-month periods ended June 30, 2016 and 2015

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

|   |        | June 30, 2016                  |                           | June 30, 2015                  |                           |
|---|--------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   | Note   | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <b>Operating revenue:</b>   | 4,34   |                                |                           |                                |                           |
| Revenue   |        | ₩ 4,267,289                    | 8,495,752                 | 4,255,739                      | 8,496,025                 |
| <b>Operating expenses:</b>  | 34     |                                |                           |                                |                           |
| Labor   |        | 465,712                        | 942,586                   | 543,881                        | 1,018,862                 |
| Commissions   |        | 1,327,035                      | 2,650,479                 | 1,262,168                      | 2,609,298                 |
| Depreciation and amortization   | 4      | 721,250                        | 1,436,602                 | 703,859                        | 1,396,447                 |
| Network interconnection   |        | 255,485                        | 519,356                   | 239,857                        | 474,109                   |
| Leased line   |        | 108,919                        | 210,971                   | 93,393                         | 196,390                   |
| Advertising   |        | 108,071                        | 195,579                   | 120,452                        | 197,438                   |
| Rent  |        | 130,777                        | 258,801                   | 117,037                        | 239,488                   |
| Cost of products that have been resold  |        | 451,586                        | 878,180                   | 449,918                        | 940,850                   |
| Others  | 27     | 291,090                        | 593,707                   | 312,296                        | 607,617                   |
|   |        | 3,859,925                      | 7,686,261                 | 3,842,861                      | 7,680,499                 |
| <b>Operating income</b>   | 4      | <b>407,364</b>                 | <b>809,491</b>            | <b>412,878</b>                 | <b>815,526</b>            |
| Finance income  | 4,29   | 22,210                         | 376,404                   | 29,053                         | 61,302                    |
| Finance costs   | 4,29   | (74,340)                       | (151,938)                 | (89,690)                       | (171,040)                 |
| Gains relating to investments in subsidiaries, associates and joint ventures, net | 1,4,11 | 41,899                         | 116,808                   | 208,066                        | 452,323                   |
| Other non-operating income  | 4,28   | 9,625                          | 41,324                    | 7,176                          | 15,363                    |
| Other non-operating expenses  | 4,28   | (42,008)                       | (91,215)                  | (51,891)                       | (97,869)                  |
| <b>Profit before income tax</b>   | 4      | <b>364,750</b>                 | <b>1,100,874</b>          | <b>515,592</b>                 | <b>1,075,605</b>          |
| Income tax expense  | 30     | 73,760                         | 237,586                   | 117,704                        | 234,970                   |
| <b>Profit for the period</b>  |        | <b>₩ 290,990</b>               | <b>863,288</b>            | <b>397,888</b>                 | <b>840,635</b>            |
| Attributable to:  |        |                                |                           |                                |                           |
| Owners of the Parent Company  |        | ₩ 290,135                      | 861,982                   | 395,839                        | 840,334                   |
| Non-controlling interests   |        | 855                            | 1,306                     | 2,049                          | 301                       |

**Earnings per share**

31

|   |   |       |        |       |        |
|---|---|-------|--------|-------|--------|
| Basic and diluted earnings per share (in won) | ₩ | 3,990 | 12,089 | 5,432 | 11,695 |
|---|---|-------|--------|-------|--------|

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2016 and 2015

*(In millions of won)*

|  |       | June 30, 2016    |                  | June 30, 2015  |                |
|--|-------|------------------|------------------|----------------|----------------|
|  |       | Three-month      | Six-month        | Three-month    | Six-month      |
|  | Note  | period           | period           | period         | period         |
|  |       | ended            | ended            | ended          | ended          |
| <b>Profit for the period</b>   |       | <b>₩ 290,990</b> | <b>863,288</b>   | <b>397,888</b> | <b>840,635</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   | 20    | (9,025)          | (11,636)         | 5,527          | (3,092)        |
| <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                 | 26    | (39,172)         | (190,549)        | 71,167         | 53,048         |
| Net change in other comprehensive income of investments in associates and joint ventures   | 26    | (24,475)         | (31,154)         | 23,435         | 27,880         |
| Net change in unrealized fair value of derivatives   | 21,26 | 5,460            | (5,929)          | (32,321)       | (20,673)       |
| Foreign currency translations differences for foreign operations                           | 26    | 6,250            | (13,889)         | 8,288          | 9,419          |
| <b>Other comprehensive income (loss) for the period, net of taxes</b>                      |       | <b>(60,962)</b>  | <b>(253,157)</b> | <b>76,096</b>  | <b>66,582</b>  |
| <b>Total comprehensive income</b>  |       | <b>₩ 230,028</b> | <b>610,131</b>   | <b>473,984</b> | <b>907,217</b> |
| Total comprehensive income attributable to:  |       |                  |                  |                |                |
| Owners of the Parent Company   |       | ₩ 229,285        | 608,770          | 469,790        | 904,733        |
| Non-controlling interests  |       | 743              | 1,361            | 4,194          | 2,484          |

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2016 and 2015

*(In millions of won)*

|                                      | Controlling Interest |                                      |                   |                | Sub-total         | Non-controlling interests | Total equity      |
|--------------------------------------|----------------------|--------------------------------------|-------------------|----------------|-------------------|---------------------------|-------------------|
|                                      | Share capital        | Capital surplus (deficit) and others | Retained earnings | Reserves       |                   |                           |                   |
| <b>Balance at January 1, 2015</b>    | <b>₩ 44,639</b>      | <b>277,998</b>                       | <b>14,188,591</b> | <b>(4,489)</b> | <b>14,506,739</b> | <b>741,531</b>            | <b>15,248,270</b> |
| Total comprehensive income:          |                      |                                      |                   |                |                   |                           |                   |
| Profit for the period                |                      |                                      | 840,334           |                | 840,334           | 301                       | 840,635           |
| Other comprehensive income (loss)    |                      |                                      | (2,765)           | 67,164         | 64,399            | 2,183                     | 66,582            |
|                                      |                      |                                      | 837,569           | 67,164         | 904,733           | 2,484                     | 907,217           |
| Transactions with owners:            |                      |                                      |                   |                |                   |                           |                   |
| Cash dividends                       |                      |                                      | (595,865)         |                | (595,865)         | (143)                     | (596,008)         |
| Interest on hybrid bond              |                      |                                      | (8,420)           |                | (8,420)           |                           | (8,420)           |
| Treasury stocks                      |                      | 412,072                              |                   |                | 412,072           |                           | 412,072           |
| Changes in consolidation scope       |                      |                                      |                   |                |                   | (5,226)                   | (5,226)           |
| Changes in ownership in subsidiaries |                      | (27,615)                             | (832)             | (3,286)        | (31,733)          | (608,585)                 | (640,318)         |
|                                      |                      | 384,457                              | (605,117)         | (3,286)        | (223,946)         | (613,954)                 | (837,900)         |
| <b>Balance at June 30, 2015</b>      | <b>₩ 44,639</b>      | <b>662,455</b>                       | <b>14,421,043</b> | <b>59,389</b>  | <b>15,187,526</b> | <b>130,061</b>            | <b>15,317,587</b> |
| <b>Balance at January 1, 2016</b>    | <b>₩ 44,639</b>      | <b>189,510</b>                       | <b>15,007,627</b> | <b>9,303</b>   | <b>15,251,079</b> | <b>123,017</b>            | <b>15,374,096</b> |
| Total comprehensive income:          |                      |                                      |                   |                |                   |                           |                   |
| Profit for the period                |                      |                                      | 861,982           |                | 861,982           | 1,306                     | 863,288           |

|                                      |                 |                |                   |                  |                   |                |                   |
|--------------------------------------|-----------------|----------------|-------------------|------------------|-------------------|----------------|-------------------|
| Other comprehensive income (loss)    |                 | (11,504)       | (241,708)         | (253,212)        | 55                | (253,157)      |                   |
|                                      |                 | 850,478        | (241,708)         | 608,770          | 1,361             | 610,131        |                   |
| Transactions with owners:            |                 |                |                   |                  |                   |                |                   |
| Cash dividends                       |                 | (635,482)      |                   | (635,482)        | (300)             | (635,782)      |                   |
| Interest on hybrid bond              |                 | (8,420)        |                   | (8,420)          |                   | (8,420)        |                   |
| Changes in ownership in subsidiaries | 2,174           |                |                   | 2,174            | 25,294            | 27,468         |                   |
|                                      | 2,174           | (643,902)      |                   | (641,728)        | 24,994            | (616,734)      |                   |
| <b>Balance at June 30, 2016</b>      | <b>₩ 44,639</b> | <b>191,684</b> | <b>15,214,203</b> | <b>(232,405)</b> | <b>15,218,121</b> | <b>149,372</b> | <b>15,367,493</b> |

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2016 and 2015

| <i>(In millions of won)</i>  | <i>Note</i> | <b>June 30,<br/>2016</b> | <b>June 30,<br/>2015</b> |
|--|-------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities:</b>                           |             |                          |                          |
| Cash generated from operating activities:                              |             |                          |                          |
| Profit for the period  |             | ₩ 863,288                | 840,635                  |
| Adjustments for income and expenses                                    | 36          | 1,525,247                | 1,479,292                |
| Changes in assets and liabilities related to operating activities      | 36          | (306,453)                | (786,942)                |
| Sub-total  |             | 2,082,082                | 1,532,985                |
| Interest received  |             | 23,107                   | 25,052                   |
| Dividends received   |             | 93,948                   | 59,349                   |
| Interest paid  |             | (131,354)                | (137,412)                |
| Income tax paid  |             | (245,488)                | (65,923)                 |
| <b>Net cash provided by operating activities</b>                       |             | <b>1,822,295</b>         | <b>1,414,051</b>         |
| <b>Cash flows from investing activities:</b>                           |             |                          |                          |
| Cash inflows from investing activities:                                |             |                          |                          |
| Decrease in short-term financial instruments, net                      |             | 145,880                  | 27,448                   |
| Collection of short-term loans   |             | 90,162                   | 203,599                  |
| Decrease in long-term financial instruments                            |             | 27                       | 3                        |
| Proceeds from disposal of long-term investment securities              |             | 225,531                  | 116,256                  |
| Proceeds from disposal of investments in associates and joint ventures |             | 10,769                   | 176,037                  |
| Proceeds from disposal of property and equipment                       |             | 8,878                    | 13,772                   |
| Proceeds from disposal of intangible assets                            |             | 5,666                    | 1,101                    |
| Proceeds from disposal of assets held for sale                         |             |                          | 990                      |
| Collection of long-term loans  |             | 708                      | 1,501                    |
| Decrease in deposits   |             | 12,823                   | 10,618                   |
| Proceeds from disposal of other non-current assets                     |             |                          | 2,548                    |
| Increase in cash due to acquisition of subsidiaries                    |             |                          | 10,148                   |
| Sub-total  |             | 500,444                  | 564,021                  |
| Cash outflows for investing activities:                                |             |                          |                          |
| Increase in short-term investment securities, net                      |             | (297,150)                | (69,842)                 |
| Increase in short-term loans   |             | (102,342)                | (155,582)                |
| Increase in long-term loans  |             | (2,667)                  | (10,583)                 |
| Increase in long-term financial instruments                            |             | (197)                    | (5)                      |
| Acquisition of long-term investment securities                         |             | (20,093)                 | (232,887)                |
| Acquisition of investments in associates and joint ventures            |             | (55,462)                 | (20,570)                 |

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|   |                    |                    |
|---|--------------------|--------------------|
| Acquisition of property and equipment           | (842,174)          | (1,103,196)        |
| Acquisition of intangible assets                | (45,862)           | (39,935)           |
| Increase in deposits                            | (11,173)           | (11,037)           |
| Increase in other non-current assets            |                    | (436)              |
| Acquisition of businesses, net of cash acquired | (4,498)            | (13,957)           |
| <b>Sub-total</b>                                | <b>(1,381,618)</b> | <b>(1,658,030)</b> |
| <b>Net cash used in investing activities</b>    | <b>₩ (881,174)</b> | <b>(1,094,009)</b> |

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2016 and 2015

| <i>(In millions of won)</i>                                   | <b>June 30,<br/>2016</b> | <b>June 30,<br/>2015</b> |
|---|--------------------------|--------------------------|
| <b>Cash flows from financing activities:</b>                  |                          |                          |
| Cash inflows from financing activities:                       |                          |                          |
| Proceeds from short-term borrowings, net                      | ₩                        | 562,700                  |
| Proceeds from issuance of debentures                          | 607,474                  | 507,799                  |
| Cash inflows from settlement of derivatives                   |                          | 189                      |
| Cash inflows related to equity interest transactions          | 24,449                   |                          |
| <b>Sub-total</b>  | <b>631,923</b>           | <b>1,070,688</b>         |
| Cash outflows for financing activities:                       |                          |                          |
| Decrease in short-term borrowings, net                        | (175,000)                |                          |
| Repayments of long-term account payables-other                | (121,565)                | (190,603)                |
| Repayments of debentures                                      | (280,000)                | (370,000)                |
| Repayments of long-term borrowings                            | (20,464)                 | (14,953)                 |
| Cash outflows from settlement of derivatives                  |                          | (474)                    |
| Payments of finance lease liabilities                         | (26)                     | (1,789)                  |
| Payments of dividends   | (635,482)                | (595,865)                |
| Payments of interest on hybrid bond                           | (8,420)                  | (8,420)                  |
| Cash outflows related to equity interest transactions         |                          | (218,394)                |
| <b>Sub-total</b>  | <b>(1,240,957)</b>       | <b>(1,400,498)</b>       |
| <b>Net cash used in financing activities</b>                  | <b>(609,034)</b>         | <b>(329,810)</b>         |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>332,087</b>           | <b>(9,768)</b>           |
| Cash and cash equivalents at beginning of the period          | 768,922                  | 834,429                  |
| Effects of exchange rate changes on cash and cash equivalents | (1,448)                  | 4,998                    |
| <b>Cash and cash equivalents at end of the period</b>         | <b>₩ 1,099,561</b>       | <b>829,659</b>           |

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

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

The Parent Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2016, the Parent Company's total issued shares are held by the following shareholders:

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

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

**(2) List of subsidiaries**

The list of subsidiaries as of June 30, 2016 and December 31, 2015 is as follows:

| <b>Subsidiary</b>   | <b>Location</b> | <b>Primary business</b>                       | <b>Ownership (%)</b>     |                              |
|---------------------|-----------------|---|--------------------------|------------------------------|
|                     |                 |   | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
| SK Telink Co., Ltd. | Korea           | Telecommunication and<br>MVNO (Mobile Virtual | 83.5                     | 83.5                         |

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|   |       | Network Operator) service             |       |       |
|---|-------|---------------------------------------|-------|-------|
| M&Service Co., Ltd.                     |       | Database and internet website service | 100.0 | 100.0 |
|   | Korea |                                       |       |       |
| SK Communications Co., Ltd.             | Korea | Internet website services             | 64.5  | 64.5  |
| Stonebridge Cinema Fund                 | Korea | Investment                            | 55.2  | 55.2  |
| Commerce Planet Co., Ltd.(*6)           |       | Online shopping mall operation agency |       | 100.0 |
|   | Korea |                                       |       |       |
| SK Broadband Co., Ltd.(*1)              | Korea | Telecommunication services            | 100.0 | 100.0 |
| K-net Culture and Contents Venture Fund | Korea | Investment                            | 59.0  | 59.0  |
| Fitech Focus Limited Partnership II     | Korea | Investment                            | 66.7  | 66.7  |
| Open Innovation Fund                    | Korea | Investment                            | 98.9  | 98.9  |
| PS&Marketing Corporation                |       | Communications device retail business | 100.0 | 100.0 |
|   | Korea |                                       |       |       |
| Service Ace Co., Ltd.                   |       | Customer center management service    | 100.0 | 100.0 |
|   | Korea |                                       |       |       |
| Service Top Co., Ltd.                   |       | Customer center management service    | 100.0 | 100.0 |
|   | Korea |                                       |       |       |
| Network O&S Co., Ltd.                   |       | Base station maintenance service      | 100.0 | 100.0 |
|   | Korea |                                       |       |       |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

The list of subsidiaries as of June 30, 2016 and December 31, 2015 is as follows, Continued:

| Subsidiary                                 | Location  | Primary business  | Ownership (%) |                   |
|--|-----------|---|---------------|-------------------|
|  |           |   | June 30, 2016 | December 31, 2015 |
| SK Planet Co., Ltd.                        | Korea     | Telecommunication service   | 100.0         | 100.0             |
| Neosnetworks Co.,Ltd.(*2)                  | Korea     | Security systems service  | 83.9          | 83.9              |
| IRIVER LIMITED(*3)                         | Korea     | Manufacturing digital audio players and other portable media devices. | 48.9          | 49.0              |
| iriver Enterprise Ltd.                     | Hong Kong | Management of Chinese subsidiaries                                    | 100.0         | 100.0             |
| iriver America Inc.                        | USA       | Marketing and sales in North America                                  | 100.0         | 100.0             |
| iriver Inc.                                | USA       | Marketing and sales in North America                                  | 100.0         | 100.0             |
| iriver China Co., Ltd.                     | China     | Sales and manufacturing MP3 and 4 in China                            | 100.0         | 100.0             |
| Dongguan iriver Electronics Co., Ltd.      | China     | Sales and manufacturing e-book in China                               | 100.0         | 100.0             |
| groovers Japan Co., Ltd.                   | Japan     | Digital music contents sourcing and distribution service              | 100.0         | 100.0             |
| SK Telecom China Holdings Co., Ltd.        | China     | Investment  | 100.0         | 100.0             |
| SK Global Healthcare Business Group., Ltd. | Hong Kong | Investment  | 100.0         | 100.0             |
| SK Planet Japan, K. K.                     | Japan     | Digital contents sourcing service                                     | 100.0         | 100.0             |
| SKT Vietnam PTE. Ltd.                      | Singapore | Telecommunication service   | 73.3          | 73.3              |
| SK Planet Global PTE. Ltd.                 | Singapore | Digital contents sourcing service                                     | 100.0         | 100.0             |

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|   |           |  |       |       |
|---|-----------|--|-------|-------|
| SKP GLOBAL HOLDINGS PTE. LTD.   | Singapore | Investment   | 100.0 | 100.0 |
| SKT Americas, Inc.  | USA       | Information gathering and consulting                     | 100.0 | 100.0 |
| SKP America LLC.  | USA       | Digital contents sourcing service                        | 100.0 | 100.0 |
| YTK Investment Ltd.   | Cayman    | Investment   | 100.0 | 100.0 |
| Atlas Investment  | Cayman    | Investment   | 100.0 | 100.0 |
| SK Telecom Innovation Fund, L.P. (formerly, Technology Innovation Partners, LP.) (*5) | USA       | Investment   | 100.0 | 100.0 |
| SK Telecom China Fund I L.P.  | Cayman    | Investment   | 100.0 | 100.0 |
| Entrix Co., Ltd.  | Korea     | Cloud streaming services                                 | 100.0 | 100.0 |
| SK techx Co., Ltd.(*6)  | Korea     | System software development and supply                   | 100.0 |       |
| One Store Co., Ltd.(*6)   | Korea     | Telecommunication service                                | 65.5  |       |
| shopkick Management Company, Inc.(*4)   | USA       | Investment   | 100.0 | 95.2  |
| shopkick, Inc.  | USA       | Mileage-based online transaction application development | 100.0 | 100.0 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity, Continued**

(2) List of subsidiaries, Continued

(\*1) On November 2, 2015, the board of directors of the Parent Company entered into a share purchase agreement to acquire 30%(23,234,060 shares) of the issued and outstanding common shares of CJ Hello Vision Co., Ltd. ( CJ Hello Vision ) from CJ O Shopping Co., Ltd. ( CJ O Shopping ) for an aggregate purchase price of W500,000 million. The agreement states government s approval as prerequisite.

On November 2, 2015, the board of directors of SK Broadband Co., Ltd. ( SK Broadband ), a subsidiary of the Parent Company, approved the merger of SK Broadband into CJ Hello Vision, and then SK Broadband entered into a merger agreement with CJ Hello Vision with government s approval as prerequisite.

After the announcement of disapproval of proposed takeover of CJ Hello Vision by the Fair Trade Commission (FTC) on July 18, 2016, the Parent Company announced the revocation of share purchase agreement to CJ O Shopping while SK Broadband withdrew from merger agreement with CJ Hello Vision on July 25, 2016 as execution of the share purchase agreement with CJ O Shopping and merger agreement between SK Broadband and CJ Hello Vision became objectively impossible.

(\*2) Due to the shareholders agreement which grants put option to the non-controlling shareholders, this entity is consolidated as a wholly owned subsidiary in the consolidated financial statements.

(\*3) Although the Group has less than 50% of the voting rights of IRIVER LIMITED, the Group is considered to have control over IRIVER LIMITED since the Group holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed.

(\*4) During the six-month period ended June 30, 2016, the Group acquired all of the non-controlling interests in shopkick Management Company, Inc.

(\*5) Changed its name to SK Telecom Innovation Fund, L.P. during the six-month period ended June 30, 2016.

(\*6) Changes in subsidiaries are explained in Note 1-(4).

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity, Continued**

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the six-month period ended June 30, 2016 is as follows:

*(In millions of won)*

| <b>Subsidiary</b>                 | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>equity</b> | <b>Revenue</b> | <b>Profit<br/>(loss)</b> |
|-----------------------------------|-------------------------|------------------------------|-------------------------|----------------|--------------------------|
| SK Telink Co., Ltd.               | ₩ 339,484               | 107,217                      | 232,267                 | 207,436        | 39,916                   |
| M&Service Co., Ltd.               | 94,720                  | 47,768                       | 46,952                  | 78,598         | 1,334                    |
| SK Communications Co., Ltd.       | 142,926                 | 31,335                       | 111,591                 | 30,372         | (5,908)                  |
| SK Broadband Co., Ltd.            | 3,341,126               | 2,208,962                    | 1,132,164               | 1,422,134      | 9,013                    |
| PS&Marketing Corporation          | 452,869                 | 243,020                      | 209,849                 | 809,925        | 634                      |
| Service Ace Co., Ltd.             | 69,407                  | 36,416                       | 32,991                  | 99,194         | 2,387                    |
| Service Top Co., Ltd.             | 67,195                  | 40,587                       | 26,608                  | 94,106         | 3,497                    |
| Network O&S Co., Ltd.             | 65,064                  | 32,331                       | 32,733                  | 99,444         | 3,272                    |
| SK Planet Co., Ltd.(*1)           | 2,065,256               | 761,070                      | 1,304,186               | 616,565        | 189,621                  |
| IRIVER LIMITED(*2)                | 59,290                  | 14,052                       | 45,238                  | 27,462         | (3,111)                  |
| SKP America LLC.                  | 410,011                 | 2                            | 410,009                 |                | 1,086                    |
| SK techx Co., Ltd.                | 194,844                 | 40,012                       | 154,832                 | 76,783         | 20,942                   |
| One Store Co., Ltd.               | 145,400                 | 39,573                       | 105,827                 | 34,529         | (8,371)                  |
| shopkick Management Company, Inc. | 328,457                 |                              | 328,457                 |                | (87)                     |
| shopkick, Inc.                    | 30,235                  | 33,337                       | (3,102)                 | 17,416         | (20,863)                 |

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

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity, Continued**

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

Condensed financial information of subsidiaries as of and for the year ended December 31, 2015 is as follows:

*(In millions of won)*

| <b>Subsidiary</b>                 | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>equity</b> | <b>Revenue</b> | <b>Profit<br/>(loss)</b> |
|-----------------------------------|-------------------------|------------------------------|-------------------------|----------------|--------------------------|
| SK Telink Co., Ltd.               | ₩ 309,955               | 113,878                      | 196,077                 | 431,368        | 55,781                   |
| M&Service Co., Ltd.               | 89,452                  | 42,414                       | 47,038                  | 143,255        | 5,549                    |
| SK Communications Co., Ltd.       | 152,496                 | 35,014                       | 117,482                 | 80,147         | (14,826)                 |
| SK Broadband Co., Ltd.            | 3,291,707               | 2,170,484                    | 1,121,223               | 2,731,344      | 10,832                   |
| PS&Marketing Corporation          | 509,580                 | 300,364                      | 209,216                 | 1,791,944      | 4,835                    |
| Service Ace Co., Ltd.             | 65,424                  | 34,240                       | 31,184                  | 206,338        | 2,778                    |
| Service Top Co., Ltd.             | 61,897                  | 38,482                       | 23,415                  | 197,092        | 4,396                    |
| Network O&S Co., Ltd.             | 77,426                  | 48,069                       | 29,357                  | 210,676        | 6,466                    |
| SK Planet Co., Ltd.               | 2,406,988               | 784,631                      | 1,622,357               | 1,624,630      | (75,111)                 |
| IRIVER LIMITED(*)                 | 60,434                  | 12,377                       | 48,057                  | 55,637         | 635                      |
| SKP America LLC.                  | 380,141                 |                              | 380,141                 |                | 791                      |
| Entrix Co., Ltd.                  | 30,876                  | 3,186                        | 27,690                  | 4,895          | (1,826)                  |
| shopkick Management Company, Inc. | 306,248                 | 7                            | 306,241                 | 7              | (2,455)                  |
| shopkick, Inc.                    | 25,388                  | 32,243                       | (6,855)                 | 35,851         | (52,390)                 |

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

## (4) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation during the six-month period ended June 30, 2016 is as follows:

| <b>Subsidiary</b>   | <b>Reason</b>   |
|---------------------|---|
| SK techx Co., Ltd.  | Established by spin-off from SK Planet Co., Ltd., a subsidiary of the Parent Company. |
| One Store Co., Ltd. | Established by spin-off from SK Planet Co., Ltd., a subsidiary of the Parent Company. |

The following subsidiary was excluded from the Group during the six-month period ended June 30, 2016:

| <b>Subsidiary</b>         | <b>Reason</b>   |
|---------------------------|---|
| Commerce Planet Co., Ltd. | Merged into SK Planet Co., Ltd., a subsidiary of the Parent Company |



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**1. Reporting Entity, Continued**

- (5) The information of significant non-controlling interests of the Group as of and for the six-month period ended June 30, 2016, and as of and for the year ended December 31, 2015 is as follows. There were no dividends paid during the six-month period ended June 30, 2016 and the year ended December 31, 2015 by the subsidiary of which non-controlling interests are significant.

| <i>(In millions of won)</i>                    | <b>SK Communications Co., Ltd.</b> |                          |
|--|------------------------------------|--------------------------|
|  | <b>June 30, 2016</b>               | <b>December 31, 2015</b> |
| Ownership of non-controlling interests (%)     | 35.46                              | 35.46                    |
| Current assets                                 | ₩ 83,082                           | 95,662                   |
| Non-current assets                             | 59,844                             | 56,834                   |
| Current liabilities                            | (29,368)                           | (33,306)                 |
| Non-current liabilities                        | (1,967)                            | (1,708)                  |
| Net assets                                     | 111,591                            | 117,482                  |
| Carrying amount of non-controlling interests   | 39,567                             | 41,659                   |
| Revenue  | ₩ 30,372                           | 80,147                   |
| Loss for the period                            | 5,908                              | 14,826                   |
| Total comprehensive loss                       | 5,891                              | 16,698                   |
| Loss attributable to non-controlling interests | 2,095                              | 5,254                    |
| Net cash used in operating activities          | ₩ (2,916)                          | (2,706)                  |
| Net cash provided by investing activities      | 8,681                              | 8,723                    |
| Net cash provided by financing activities      |                                    |                          |
| Net increase in cash and cash equivalents      | 5,765                              | 6,017                    |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**2. Basis of Preparation**

(1) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting*, as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since December 31, 2015. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2015.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**2. Basis of Preparation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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 Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

Information about assumptions used for fair value measurements are included in Note 33.



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**3. Significant Accounting Policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2015.

**4. Operating Segments**

The Group's operating segments have been determined to be each business unit which provides different services and merchandise. The Group's reportable segments are: 1) cellular services, which include cellular voice service, wireless data service and wireless internet services, and 2) fixed-line telecommunication services, which include telephone services, internet services, and leased line services. The other operating segments, which include the Group's internet portal services and other operations, do not meet the quantitative thresholds separately to be considered reportable segments and are collectively presented as Others.

(1) Details of the segment information as of and for the six-month period ended June 30, 2016 are as follows:

(In millions of won)

|   | <b>Cellular</b> | <b>Fixed-line<br/>Telecommunication</b> | <b>Others</b> | <b>Sub-total</b> | <b>Adjustments</b> | <b>Total</b> |
|---|-----------------|---|---------------|------------------|--------------------|--------------|
|   | <b>services</b> | <b>services</b>                         |               |                  |                    |              |
| Total revenue   | ₩ 7,292,918     | 1,629,570                               | 928,512       | 9,851,000        | (1,355,248)        | 8,495,752    |
| Inter-segment revenue   | 793,473         | 299,906                                 | 261,869       | 1,355,248        | (1,355,248)        |              |
| External revenue  | 6,499,445       | 1,329,664                               | 666,643       | 8,495,752        |                    | 8,495,752    |
| Depreciation and amortization                                     | 1,100,243       | 272,026                                 | 64,333        | 1,436,602        |                    | 1,436,602    |
| Operating income (loss)   | 920,427         | 64,388                                  | (175,324)     | 809,491          |                    | 809,491      |
| Finance income and costs, net                                     |                 |   |               |                  |                    | 224,466      |
| Gain related to investments in associates and joint ventures, net |                 |   |               |                  |                    | 116,808      |
| Other non-operating income and expenses, net                      |                 |   |               |                  |                    | (49,891)     |

|                          |            |           |           |            |             |            |
|--------------------------|------------|-----------|-----------|------------|-------------|------------|
| Profit before income tax |            |           |           |            |             | 1,100,874  |
| Total assets             | 23,836,373 | 3,680,610 | 2,865,977 | 30,382,960 | (1,853,570) | 28,529,390 |
| Total liabilities        | 9,731,374  | 2,316,179 | 987,201   | 13,034,754 | 127,143     | 13,161,897 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**4. Operating Segments, Continued**

(2) Details of the segment information as of and for the six-month period ended June 30, 2015 are as follows:

*(In millions of won)*

|   | <b>Cellular<br/>Services</b> | <b>Fixed-line<br/>Telecommunication<br/>services</b> | <b>Others</b> | <b>Sub-total</b> | <b>Adjustments</b> | <b>Total</b> |
|---|------------------------------|--|---------------|------------------|--------------------|--------------|
| Total revenue   | ₩ 7,469,465                  | 1,533,405  | 997,767       | 10,000,637       | (1,504,612)        | 8,496,025    |
| Inter-segment revenue   | 847,372                      | 301,176  | 356,064       | 1,504,612        | (1,504,612)        |              |
| External revenue  | 6,622,093                    | 1,232,229  | 641,703       | 8,496,025        |                    | 8,496,025    |
| Depreciation and amortization   | 1,066,285                    | 261,845  | 68,317        | 1,396,447        |                    | 1,396,447    |
| Operating income (loss)   | 815,120                      | 42,805   | (42,399)      | 815,526          |                    | 815,526      |
| Finance income and costs, net   |                              |  |               |                  |                    | (109,738)    |
| Gain related to investments in subsidiaries, associates and joint ventures, net |                              |  |               |                  |                    | 452,323      |
| Other non-operating income and expense, net                                     |                              |  |               |                  |                    | (82,506)     |
| Profit before income tax  |                              |  |               |                  |                    | 1,075,605    |
| Total assets  | 23,580,421                   | 3,516,376  | 3,214,927     | 30,311,724       | (2,270,218)        | 28,041,506   |
| Total liabilities   | 9,483,378                    | 2,242,744  | 897,624       | 12,623,746       | 100,173            | 12,723,919   |

Intersegment sales and purchases are conducted on an arms-length basis and eliminated on consolidation. The Group principally operates its businesses in Korea and the revenue amounts earned outside of Korea are immaterial. Therefore, no entity-wide geographical information is presented.

No single customer contributed 10% or more to the Group's total revenue for the six-month periods ended June 30, 2016 and 2015.

**5. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2016 and December 31, 2015 are summarized as follows:

*(In millions of won)*

|                                     | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-------------------------------------|----------------------|--------------------------|
| Short-term financial instruments(*) | ₩ 80,625             | 82,469                   |
| Long-term financial instruments(*)  | 10,598               | 10,596                   |
|                                     | ₩ 91,223             | 93,065                   |

(\*) Financial instruments include charitable trust fund established by the Group. Profits from the fund are donated to charitable institutions. As of June 30, 2016, the funds cannot be withdrawn.



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**6. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                       | <b>Gross<br/>amount</b> | <b>June 30, 2016<br/>Allowances for<br/>doubtful<br/>accounts</b> | <b>Carrying<br/>amount</b> |
|---------------------------------------|-------------------------|---|----------------------------|
| <b>Current assets:</b>                |                         |   |                            |
| Accounts receivable - trade           | ₩ 2,451,291             | (251,308)   | 2,199,983                  |
| Short-term loans                      | 66,784                  | (597)   | 66,187                     |
| Accounts receivable - other           | 1,350,104               | (76,698)  | 1,273,406                  |
| Accrued income                        | 12,645                  |   | 12,645                     |
| Others                                | 1,887                   |   | 1,887                      |
|                                       | 3,882,711               | (328,603)   | 3,554,108                  |
| <b>Non-current assets:</b>            |                         |   |                            |
| Long-term loans                       | 89,066                  | (27,494)  | 61,572                     |
| Long-term accounts receivable - other | 47,983                  |   | 47,983                     |
| Guarantee deposits                    | 298,232                 |   | 298,232                    |
| Long-term accounts receivable - trade | 28,964                  | (535)   | 28,429                     |
|                                       | 464,245                 | (28,029)  | 436,216                    |
|                                       | ₩ 4,346,956             | (356,632)   | 3,990,324                  |

*(In millions of won)*

|                             | <b>Gross<br/>amount</b> | <b>December 31, 2015<br/>Allowances for<br/>doubtful<br/>accounts</b> | <b>Carrying<br/>amount</b> |
|-----------------------------|-------------------------|---|----------------------------|
| <b>Current assets:</b>      |                         |   |                            |
| Accounts receivable - trade | ₩ 2,583,558             | (238,691)   | 2,344,867                  |
| Short-term loans            | 54,377                  | (482)   | 53,895                     |
| Accounts receivable - other | 752,731                 | (78,992)  | 673,739                    |
| Accrued income              | 10,753                  |   | 10,753                     |
| Others                      | 1,861                   |   | 1,861                      |

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|                                       |             |           |           |
|---------------------------------------|-------------|-----------|-----------|
|                                       | 3,403,280   | (318,165) | 3,085,115 |
| Non-current assets:                   |             |           |           |
| Long-term loans                       | 87,501      | (25,047)  | 62,454    |
| Long-term accounts receivable - other | 2,420       |           | 2,420     |
| Guarantee deposits                    | 297,281     |           | 297,281   |
| Long-term accounts receivable - trade | 46,047      | (804)     | 45,243    |
|                                       | 433,249     | (25,851)  | 407,398   |
|                                       | ₩ 3,836,529 | (344,016) | 3,492,513 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>     | <b>For the six-month period ended</b> |                      |
|---------------------------------|---------------------------------------|----------------------|
|                                 | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Balance at January 1            | ₩ 344,016                             | 328,191              |
| Increase of bad debt allowances | 26,052                                | 39,069               |
| Write-offs                      | (29,775)                              | (38,911)             |
| Others                          | 16,339                                | 14,250               |
| <b>Balance at June 30</b>       | <b>₩ 356,632</b>                      | <b>342,599</b>       |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>     | <b>June 30, 2016</b>                       |                              | <b>December 31, 2015</b>                   |                              |
|---------------------------------|--|------------------------------|--|------------------------------|
|                                 | <b>Accounts<br/>receivable -<br/>trade</b> | <b>Other<br/>receivables</b> | <b>Accounts<br/>receivable -<br/>trade</b> | <b>Other<br/>receivables</b> |
| Neither overdue nor impaired    | ₩ 1,670,307                                | 1,698,745                    | 1,841,442                                  | 1,053,096                    |
| Overdue but not impaired        | 56,908                                     | 4,886                        | 77,008                                     | 5,155                        |
| Impaired                        | 753,040                                    | 163,070                      | 711,155                                    | 148,673                      |
|                                 | 2,480,255                                  | 1,866,701                    | 2,629,605                                  | 1,206,924                    |
| Allowance for doubtful accounts | (251,843)                                  | (104,789)                    | (239,495)                                  | (104,521)                    |
|                                 | ₩ 2,228,412                                | 1,761,912                    | 2,390,110                                  | 1,102,403                    |

The Group 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, past customer default experience, customer credit status, and economic and industrial factors.

- (4) The aging of overdue but not impaired accounts receivable as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                    | <b>June 30, 2016</b>                       |                              | <b>December 31, 2015</b>                   |                              |
|--------------------|--|------------------------------|--|------------------------------|
|                    | <b>Accounts<br/>receivable -<br/>trade</b> | <b>Other<br/>receivables</b> | <b>Accounts<br/>receivable -<br/>trade</b> | <b>Other<br/>receivables</b> |
| Less than 1 month  | ₩ 22,464                                   | 4,060                        | 20,908                                     | 2,770                        |
| 1 ~ 3 months       | 14,572                                     | 2                            | 21,941                                     | 924                          |
| 3 ~ 6 months       | 2,380                                      | 1                            | 7,043                                      | 265                          |
| More than 6 months | 17,492                                     | 823                          | 27,116                                     | 1,196                        |
|                    | ₩ 56,908                                   | 4,886                        | 77,008                                     | 5,155                        |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**7. Inventories**

Details of inventories as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                            | June 30, 2016       |            |                    | December 31, 2015   |            |                    |
|----------------------------|---------------------|------------|--------------------|---------------------|------------|--------------------|
|                            | Acquisition<br>cost | Write-down | Carrying<br>amount | Acquisition<br>cost | Write-down | Carrying<br>amount |
| Merchandise                | ₩ 246,014           | (3,222)    | 242,792            | 247,294             | (5,064)    | 242,230            |
| Finished goods             | 2,174               | (171)      | 2,003              | 3,530               | (179)      | 3,351              |
| Work in process            | 2,268               | (198)      | 2,070              | 1,976               | (149)      | 1,827              |
| Raw materials and supplies | 25,291              | (1,285)    | 24,006             | 27,296              | (1,148)    | 26,148             |
|                            | ₩ 275,747           | (4,876)    | 270,871            | 280,096             | (6,540)    | 273,556            |

**8. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                             | June 30, 2016 | December 31, 2015 |
|-----------------------------|---------------|-------------------|
| Beneficiary certificates(*) | ₩ 346,694     | 92,262            |

(\*) The income distributable in relation to beneficiary certificates as of June 30, 2016 were accounted for as accrued income.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**8. Investment Securities, Continued**

(2) Details of long-term investment securities as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                 | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|---------------------------------|----------------------|--------------------------|
| <b>Equity securities:</b>       |                      |                          |
| Marketable equity securities(*) | ₩ 726,568            | 897,958                  |
| Unlisted equity securities      | 103,239              | 96,899                   |
| Equity investments              | 213,801              | 207,916                  |
|                                 | 1,043,608            | 1,202,773                |
| <b>Debt securities:</b>         |                      |                          |
| Investment bonds                | 3,053                | 4,453                    |
|                                 | ₩ 1,046,661          | 1,207,226                |

(\*) During the six-month period ended June 30, 2016, the Group sold 3,793,756 shares of Loen Entertainment, Inc. to Kakao Corp. and received 1,357,376 shares of Kakao Corp. and ₩218,037 million of cash in return.

**9. Assets classified as Held for Sale**

Pursuant to the disposal plan for the Group's entire ownership interests in Candle Media Co., Ltd. approved during the six-month period ended June 30, 2016, the investment in the associate was classified as held for sale and was measured at the lower of carrying amount and fair value less cost to sell as of June 30, 2016. The disposal agreement was entered into on July 5, 2016.

*(In millions of won)*

|                        | <b>June 30, 2016</b> |
|------------------------|----------------------|
| Candle Media Co., Ltd. | ₩ 18,860             |

**10. Business Combinations under common control**

LBS (Location based service) division and mobile phone verification services business, spun-off from SK Planet Co., Ltd., were acquired by the Parent Company during the six-month period ended June 30, 2016. Since this is considered a business combination of entities under common control, there is no impact on the Group's consolidated financial statements.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|   | Country       | June 30, 2016        |                 | December 31, 2015    |                 |
|---|---------------|----------------------|-----------------|----------------------|-----------------|
|   |               | Ownership percentage | Carrying amount | Ownership percentage | Carrying amount |
| <b>Investments in associates:</b>               |               |                      |                 |                      |                 |
| SK China Company Ltd.(*1)                       | China         | 9.6                  | ₩ 45,037        | 9.6                  | ₩ 43,814        |
| Korea IT Fund(*2)                               | Korea         | 63.3                 | 256,428         | 63.3                 | 260,456         |
| KEB HanaCard Co., Ltd.(*1)                      | Korea         | 15.0                 | 260,082         | 15.0                 | 254,177         |
| Candle Media Co., Ltd.(*3)                      | Korea         |                      |                 | 35.1                 | 20,144          |
| NanoEnTek, Inc.                                 | Korea         | 28.5                 | 41,130          | 28.6                 | 45,008          |
| SK Industrial Development China Co., Ltd.       | Hongkong      | 21.0                 | 75,933          | 21.0                 | 86,324          |
| SK Technology Innovation Company                | Cayman        | 49.0                 | 45,694          | 49.0                 | 45,891          |
| HappyNarae Co., Ltd.                            | Korea         | 42.5                 | 15,444          | 42.5                 | 17,095          |
| SK hynix Inc.                                   | Korea         | 20.1                 | 5,670,060       | 20.1                 | 5,624,493       |
| SK MENA Investment B.V.                         | Netherlands   | 32.1                 | 14,860          | 32.1                 | 14,929          |
| SKY Property Mgmt. Ltd.                         | Virgin Island | 33.0                 | 265,606         | 33.0                 | 251,166         |
| Xinan Tianlong Science and Technology Co., Ltd. | China         | 49.0                 | 25,609          | 49.0                 | 25,767          |
| Daehan Kanggun BcN Co., Ltd. and others         |               |                      | 151,317         |                      | 161,058         |
| Sub-total                                       |               |                      | 6,867,200       |                      | 6,850,322       |
| <b>Investments in joint ventures:</b>           |               |                      |                 |                      |                 |
| Dogus Planet, Inc.(*4)                          | Turkey        | 50.0                 | 17,764          | 50.0                 | 15,118          |
| PT. Melon Indonesia                             | Indonesia     | 49.0                 | 4,949           | 49.0                 | 4,339           |
| Celcom Planet(*2,4)                             | Malaysia      | 51.0                 | 894             | 51.0                 | 3,406           |
| PT XL Planet Digital(*4)                        | Indonesia     | 50.0                 | 38,307          | 50.0                 | 23,108          |
| Sub-total                                       |               |                      | 61,914          |                      | 45,971          |
| Total   |               |                      | ₩ 6,929,114     |                      | ₩ 6,896,293     |





**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2016 and December 31, 2015 are as follows, Continued:

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

(\*2) Classified as investment in associates as the Group does not have control over investments under the agreement.

(\*3) During the six-month periods ended June 30, 2016, the Group reclassified its investments in Candle Media Co., Ltd. to assets classified as held for sale.

(\*4) The carrying amount has been increased due to additional investment during the six-month period ended June 30, 2016. There was no change in ownership interests after additional investment.

(2) The market price of investments in listed associates as of June 30, 2016 and December 31, 2015 are as follows:

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

|                 | June 30, 2016                   |                  |              | December 31, 2015               |                  |              |
|-----------------|---------------------------------|------------------|--------------|---------------------------------|------------------|--------------|
|                 | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| NanoEnTek, Inc. | ₩ 5,990                         | 6,960,445        | 41,693       | 7,300                           | 6,960,445        | 50,811       |
| SK hynix Inc.   | 32,400                          | 146,100,000      | 4,733,640    | 30,750                          | 146,100,000      | 4,492,575    |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (3) The financial information of the significant investees as of and for the six-month period ended June 30, 2016 and as of and for the year ended December 31, 2015 are as follows:

*(In millions of won)*

|                            | As of and for the six-month period ended June 30, 2016 |                              |                               |                     |
|----------------------------|--|------------------------------|-------------------------------|---------------------|
|                            | SK hynix<br>Inc.                                       | KEB<br>HanaCard<br>Co., Ltd. | SKY<br>Property<br>Mgmt. Ltd. | Korea<br>IT<br>Fund |
| Current assets             | ₩ 8,356,317  | 6,390,044                    | 260,170                       | 154,034             |
| Non-current assets         | 20,973,135   | 378,445                      | 470,589                       | 250,853             |
| Current liabilities        | 3,163,858  | 1,141,130                    | 97,011                        |                     |
| Non-current liabilities    | 4,464,772  | 4,252,566                    | 45,169                        |                     |
| Revenue                    | 7,596,644  | 690,950                      | 35,697                        | 15,413              |
| Profit for the period      | 730,334  | 38,775                       | 49,497                        | 11,750              |
| Other comprehensive loss   | (67,037)   | (708)                        | (5,293)                       | (8,506)             |
| Total comprehensive income | 663,297  | 38,067                       | 44,204                        | 3,244               |

*(In millions of won)*

|                                   | As of and for the year ended December 31, 2015 |                              |                               |                     |
|-----------------------------------|--|------------------------------|-------------------------------|---------------------|
|                                   | SK hynix<br>Inc.                               | KEB<br>HanaCard<br>Co., Ltd. | SKY<br>Property<br>Mgmt. Ltd. | Korea<br>IT<br>Fund |
| Current assets                    | ₩ 9,760,030                                    | 6,228,076                    | 176,517                       | 152,070             |
| Non-current assets                | 19,917,876                                     | 509,579                      | 650,661                       | 259,176             |
| Current liabilities               | 4,840,698                                      | 1,103,873                    | 242,002                       |                     |
| Non-current liabilities           | 3,449,505                                      | 4,297,289                    | 39,154                        |                     |
| Revenue                           | 18,797,998                                     | 1,472,830                    | 89,161                        | 30,875              |
| Profit for the period             | 4,323,595                                      | 10,119                       | 19,722                        | 21,655              |
| Other comprehensive income (loss) | 40,215   | (547)                        | (11,872)                      | 15,651              |
| Total comprehensive income        | 4,363,810                                      | 9,572                        | 7,850                         | 37,306              |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (4) The condensed financial information of joint ventures as of and for the six-month period ended June 30, 2016 and as of and for the year ended December 31, 2015 are as follows:

*(In millions of won)***As of and for the six-month period ended June 30, 2016**

|  |   | <b>Dogus Planet,<br/>Inc.</b> | <b>PT. Melon<br/>Indonesia</b> | <b>PT XL<br/>Planet<br/>Digital</b> | <b>Celcom<br/>Planet</b> |
|--|---|-------------------------------|--------------------------------|-------------------------------------|--------------------------|
| Current assets                                 | ₩ | 46,543                        | 14,695                         | 44,663                              | 11,816                   |
| Cash and cash equivalents                      |   | 44,520                        | 5,532                          | 40,086                              | 9,360                    |
| Non-current assets                             |   | 17,474                        | 1,951                          | 46,304                              | 2,664                    |
| Current liabilities                            |   | 28,404                        | 6,385                          | 13,330                              | 12,727                   |
| Accounts payable, other payables and provision |   | 4,333                         | 2,854                          | 6,878                               | 7,762                    |
| Non-current liabilities                        |   | 85                            | 110                            | 1,022                               |                          |
| Revenue  |   | 28,490                        | 12,744                         | 4,751                               | 2,608                    |
| Depreciation and amortization                  |   | (2,799)                       | (67)                           | (1,306)                             | (1,078)                  |
| Interest income                                |   | 2,617                         | 100                            | 101                                 | 135                      |
| Interest expense                               |   | (1,872)                       |                                |                                     |                          |
| Income tax benefit                             |   |                               |                                | 618                                 |                          |
| Profit (loss) for the period                   |   | (11,726)                      | 870                            | (24,744)                            | (22,255)                 |
| Total comprehensive income(loss)               |   | (11,726)                      | 870                            | (24,744)                            | (22,255)                 |

*(In millions of won)***As of and for the year ended December 31, 2015**

|  |   | <b>Dogus<br/>Planet,<br/>Inc.</b> | <b>PT.<br/>Melon<br/>Indonesia</b> | <b>PT XL<br/>Planet<br/>Digital</b> | <b>Celcom<br/>Planet</b> |
|--|---|-----------------------------------|------------------------------------|-------------------------------------|--------------------------|
| Current assets                                 | ₩ | 46,248                            | 12,805                             | 9,500                               | 21,416                   |
| Cash and cash equivalents                      |   | 8,091                             | 4,027                              | 5,034                               | 19,371                   |
| Non-current assets                             |   | 18,088                            | 2,657                              | 46,013                              | 5,519                    |
| Current liabilities                            |   | 34,022                            | 6,416                              | 8,583                               | 20,257                   |
| Accounts payable, other payables and provision |   | 4,317                             | 3,396                              | 3,648                               | 5,889                    |
| Non-current liabilities                        |   | 78                                | 140                                | 714                                 |                          |
| Revenue  |   | 38,944                            | 17,094                             | 5,536                               | 1,647                    |
| Depreciation and amortization                  |   | (5,318)                           | (132)                              | (2,746)                             | (1,332)                  |
| Interest income                                |   | 465                               | 288                                | 525                                 | 345                      |
| Income tax benefit                             |   |                                   |                                    | 7,025                               |                          |
| Profit (loss) for the period                   |   | (32,713)                          | 1,853                              | (21,381)                            | (25,881)                 |

|                                  |          |       |          |          |
|----------------------------------|----------|-------|----------|----------|
| Total comprehensive income(loss) | (32,713) | 1,853 | (21,381) | (25,881) |
|----------------------------------|----------|-------|----------|----------|

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                             |              |                         | <b>June 30, 2016</b>                               |           |                 |
|-----------------------------|--------------|-------------------------|--|-----------|-----------------|
|                             | Net assets   | Ownership interests (%) | Net assets attributable to the ownership interests | Goodwill  | Carrying amount |
| <b>Associates:</b>          |              |                         |  |           |                 |
| SK hynix Inc.(*1,2)         | ₩ 21,697,159 | 20.1                    | 4,490,006  | 1,180,054 | 5,670,060       |
| KEB HanaCard Co., Ltd.      | 1,374,793    | 15.0                    | 206,219  | 53,863    | 260,082         |
| SKY Property Mgmt. Ltd.(*1) | 582,803      | 33.0                    | 192,325  | 73,281    | 265,606         |
| Korea IT Fund               | 404,887      | 63.3                    | 256,428  |           | 256,428         |

*(In millions of won)*

|                             |              |                         | <b>December 31, 2015</b>                           |           |                 |
|-----------------------------|--------------|-------------------------|--|-----------|-----------------|
|                             | Net assets   | Ownership interests (%) | Net assets attributable to the ownership interests | Goodwill  | Carrying amount |
| <b>Associates:</b>          |              |                         |  |           |                 |
| SK hynix Inc.(*1,2)         | ₩ 21,386,863 | 20.1                    | 4,425,794  | 1,198,699 | 5,624,493       |
| KEB HanaCard Co., Ltd.      | 1,336,493    | 15.0                    | 200,474  | 53,703    | 254,177         |
| SKY Property Mgmt. Ltd.(*1) | 537,847      | 33.0                    | 177,490  | 73,676    | 251,166         |
| Korea IT Fund               | 411,246      | 63.3                    | 260,456  |           | 260,456         |

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

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

investee's treasury shares.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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



(\*) Dividends received from the associate are deducted from the carrying amount during the six-month period ended June 30, 2016.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2016 and 2015 are as follows, Continued:

*(In millions of won)*

|   | Beginning<br>balance | For the six-month period ended June 30, 2015 |                                 |  |                                 | Ending<br>balance |
|---|----------------------|--|---------------------------------|--|---------------------------------|-------------------|
|   |                      | Acquisition<br>and<br>Disposal               | Share of<br>profits<br>(losses) | Other<br>comprehensive<br>income<br>(loss) | Other<br>increase<br>(decrease) |                   |
| <b>Investments in associates</b>                  |                      |  |                                 |  |                                 |                   |
| SK China Company Ltd.                             | ₩ 35,817             |  | (1,093)                         | 3,836                                      |                                 | 38,560            |
| Korea IT Fund(*)                                  | 240,676              |  | 5,041                           | (1,444)                                    | (2,103)                         | 242,170           |
| KEB HanaCard Co., Ltd.                            | 425,140              | (174,475)                                    | 2,481                           | 561  |                                 | 253,707           |
| Candle Media Co., Ltd.                            | 19,486               |  | 259                             | 21   |                                 | 19,766            |
| NanoEnTek, Inc.                                   | 36,527               |  | (848)                           | 175  |                                 | 35,854            |
| <b>SK Industrial Development</b>                  |                      |  |                                 |  |                                 |                   |
| China Co., Ltd.                                   | 79,394               |  | (587)                           | 1,854                                      |                                 | 80,661            |
| Packet One Network                                | 53,670               |  | (8,714)                         | (565)                                      |                                 | 44,391            |
| <b>SK Technology Innovation</b>                   |                      |  |                                 |  |                                 |                   |
| Company   | 44,052               |  | (1,970)                         | 2,806                                      |                                 | 44,888            |
| HappyNarae Co., Ltd.                              | 15,551               |  | 808                             | (91)                                       |                                 | 16,268            |
| SK hynix Inc.(*)                                  | 4,849,159            |  | 473,132                         | 14,831                                     | (43,830)                        | 5,293,292         |
| SK MENA Investment B.V.                           | 14,015               |  | (1)                             | 312  |                                 | 14,326            |
| SKY Property Mgmt. Ltd.                           | 248,534              |  | 3,939                           | 4,424                                      |                                 | 256,897           |
| Xian Tianlong Science and<br>Technology Co., Ltd. | 25,874               |  | (1,254)                         |  |                                 | 24,620            |
| Others(*)   | 158,725              | 840  | (7,678)                         | 720  | 7,884                           | 160,491           |
| Sub-total   | 6,246,620            | (173,635)                                    | 463,515                         | 27,440                                     | (38,049)                        | 6,525,891         |
| <b>Investments in joint ventures</b>              |                      |  |                                 |  |                                 |                   |
| Dogus Planet, Inc.                                | 11,441               | 4,389  | (7,516)                         | 681  |                                 | 8,995             |
| PT. Melon Indonesia                               | 3,564                |  | 414                             | (172)                                      |                                 | 3,806             |
| Television Media Korea Ltd.                       | 6,944                |  | (232)                           |  |                                 | 6,712             |
| Celcom Planet                                     | 16,605               |  | (4,156)                         |  |                                 | 12,449            |
| PT XL Planet Digital                              | 12,914               | 15,341                                       | (4,341)                         |  |                                 | 23,914            |
| Sub-total   | 51,468               | 19,730                                       | (15,831)                        | 509  |                                 | 55,876            |

|       |             |           |         |        |          |           |
|-------|-------------|-----------|---------|--------|----------|-----------|
| Total | ₩ 6,298,088 | (153,905) | 447,684 | 27,949 | (38,049) | 6,581,767 |
|-------|-------------|-----------|---------|--------|----------|-----------|

(\*) Dividends received from the associate are deducted from the carrying amount during the six-month period ended June 30, 2015.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (7) The Group discontinued the application of the equity method for the following investees due to the carrying amount of the Group's share being reduced to zero. The details of unrecognized accumulated equity losses as of June 30, 2016 are as follows:

| <i>(In millions of won)</i>                   | Unrealized loss               |             | Unrealized change in equity   |             |
|---|-------------------------------|-------------|-------------------------------|-------------|
|   | Period ended<br>June 30, 2016 | Accumulated | Period ended<br>June 30, 2016 | Accumulated |
| Wave City Development Co., Ltd.               | ₩ 172                         | 4,710       |                               |             |
| SK Wyverns Baseball Club Co., Ltd. and others |                               | 6,510       |                               | 365         |
|   | ₩ 172                         | 11,220      |                               | 365         |

**12. Property and Equipment**

Changes in property and equipment for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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

*(In millions of won)*

|                          | <b>For the six-month period ended June 30, 2015</b> |                    |                 |                 |                     |                    |                |
|--------------------------|---|--------------------|-----------------|-----------------|---------------------|--------------------|----------------|
|                          | <b>Beginning</b>                                    |                    |                 |                 |                     | <b>Business</b>    | <b>Ending</b>  |
|                          | <b>balance</b>                                      | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Depreciation</b> | <b>combination</b> | <b>balance</b> |
| Land                     | ₩ 766,780   | 2,198              | (2,025)         | 4,874           |                     |                    | 771,827        |
| Buildings                | 933,867   | 4,360              | (6,838)         | 23,333          | (24,581)            |                    | 930,141        |
| Structures               | 352,789   | 761                | (33)            | 11,911          | (17,044)            |                    | 348,384        |
| Machinery                | 7,310,815   | 179,819            | (2,858)         | 594,637         | (1,045,697)         | 3,641              | 7,040,357      |
| Other                    | 499,050   | 435,518            | (2,574)         | (308,958)       | (69,688)            |                    | 553,348        |
| Construction in progress | 704,400   | 295,862            |                 | (391,821)       |                     |                    | 608,441        |
|                          | ₩ 10,567,701  | 918,518            | (14,328)        | (66,024)        | (1,157,010)         | 3,641              | 10,252,498     |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**13. Investment Property**

Changes in investment property for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended June 30, 2016</b> |                 |                     |                       |
|-----------------------------|---|-----------------|---------------------|-----------------------|
|                             | <b>Beginning balance</b>                            | <b>Transfer</b> | <b>Depreciation</b> | <b>Ending balance</b> |
| Land                        | ₩ 10,634  | (4,770)         |                     | 5,864                 |
| Buildings                   | 4,437   | (1,984)         | (71)                | 2,382                 |
|                             | ₩ 15,071  | (6,754)         | (71)                | 8,246                 |

| <i>(In millions of won)</i> | <b>For the six-month period ended June 30, 2015</b> |                 |                     |                       |
|-----------------------------|---|-----------------|---------------------|-----------------------|
|                             | <b>Beginning balance</b>                            | <b>Transfer</b> | <b>Depreciation</b> | <b>Ending balance</b> |
| Land                        | ₩ 10,418  | 886             |                     | 11,304                |
| Buildings                   | 4,579   | 385             | (121)               | 4,843                 |
|                             | ₩ 14,997  | 1,271           | (121)               | 16,147                |

**14. Goodwill**

(1) Goodwill as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i>                               | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|--------------------------|------------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | ₩ 1,306,236              | 1,306,236                    |
| Goodwill related to acquisition of SK Broadband Co., Ltd. | 358,443                  | 358,443                      |
| Other goodwill  | 247,386                  | 243,911                      |
|   | ₩ 1,912,065              | 1,908,590                    |

(2) Changes in goodwill for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30,</b>                       |                      |
|                             | <b>2016</b>                           | <b>June 30, 2015</b> |
| Beginning balance           | ₩ 1,908,590                           | 1,917,595            |
| Acquisition                 | 4,498                                 |                      |
| Impairment loss             |                                       | (1,976)              |
| Other                       | (1,023)                               | 14,586               |
|                             | ₩ 1,912,065                           | 1,930,205            |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**15. Intangible Assets**

(1) Changes in intangible assets for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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

*(In millions of won)*

|                        | Beginning<br>balance | For the six-month period ended June 30, 2015 |          |          |              |                         | Ending<br>balance |
|------------------------|----------------------|--|----------|----------|--------------|-------------------------|-------------------|
|                        |                      | Acquisition                                  | Disposal | Transfer | Amortization | Business<br>combination |                   |
| Frequency usage rights | ₩ 1,384,044          |  |          |          | (140,264)    |                         | 1,243,780         |
| Land usage rights      | 25,353               | 4,647  | (148)    |          | (4,608)      |                         | 25,244            |
| Industrial rights      | 107,760              | 9,334  |          | 1,089    | (3,105)      |                         | 115,078           |
| Development costs      | 8,331                | 1,262  |          | 32       | (2,278)      |                         | 7,347             |
| Facility usage rights  | 52,636               | 515  | (12)     | 271      | (4,216)      |                         | 49,194            |
| Customer relations     | 6,404                |  |          | (29)     | (1,939)      | 8,219                   | 12,655            |
| Memberships            | 94,119               | 549  | (804)    | 67       |              |                         | 93,931            |
| Other                  | 805,347              | 23,929                                       | (106)    | 76,794   | (154,619)    |                         | 751,345           |
|                        | ₩ 2,483,994          | 40,236                                       | (1,070)  | 78,224   | (311,029)    | 8,219                   | 2,298,574         |





**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**15. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of frequency usage rights as of June 30, 2016 are as follows, all of which are amortized on a straight-line basis:

*(In millions of won)*

|                | Amount    | Description   | Commencement<br>of<br>amortization | Completion of<br>amortization |
|----------------|-----------|---|------------------------------------|-------------------------------|
| W-CDMA license | ₩ 54,988  | Frequency usage rights relating to W-CDMA service       | Dec. 2003                          | Dec. 2016                     |
| W-CDMA license | 8,155     | Frequency usage rights relating to W-CDMA service       | Oct. 2010                          | Dec. 2016                     |
| 800MHz license | 202,720   | Frequency usage rights relating to CDMA and LTE service | Jul. 2011                          | Jun. 2021                     |
| 1.8GHz license | 690,910   | Frequency usage rights relating to LTE service          | Sep. 2013                          | Dec. 2021                     |
| WiBro license  | 6,480     | WiBro service   | Mar. 2012                          | Mar. 2019                     |
|                | ₩ 963,253 |   |                                    |                               |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**16. Borrowings and Debentures**

(1) Short-term borrowings as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                       | <b>Lender</b>                      | <b>Annual interest rate (%)</b> | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------|------------------------------------|---------------------------------|----------------------|--------------------------|
| Commercial Paper      | Hanyang Securities Co., Ltd., etc. | 1.76~2.10                       | ₩ 85,000             | 220,000                  |
| Short-term borrowings | Kookmin Bank                       | 2.47                            |                      | 40,000                   |
|                       |                                    |                                 | ₩ 85,000             | 260,000                  |

(2) Long-term borrowings as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won and thousands of U.S. dollars)*

| <b>Lender</b>               | <b>Annual interest rate (%)</b> | <b>Maturity</b> | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|---------------------------------|-----------------|----------------------|--------------------------|
| Kookmin Bank                | 1.98                            | Jun. 15, 2016   | ₩                    | 1,625                    |
| Shinhan Bank                | 6M bank debenture rate+1.58     | Apr. 30, 2016   |                      | 10,000                   |
| Kookmin Bank                | 1.69                            | Mar. 15, 2017   | 1,499                | 2,498                    |
| Kookmin Bank                | 1.69                            | Mar. 15, 2018   | 5,017                | 6,450                    |
| Korea Development Bank      | 3.32                            | Jul. 30, 2019   | 39,000               | 39,000                   |
| Korea Development Bank      | 2.94                            | Jul. 30, 2019   | 10,000               | 10,000                   |
| Export Kreditnamnden(*)     | 1.70                            | Apr. 29, 2022   | 80,430               | 87,685                   |
|                             |                                 |                 | (USD 69,056)         | (USD 74,817)             |
| Sub-total                   |                                 |                 | 135,946              | 157,258                  |
| Less present value discount |                                 |                 | (1,812)              | (2,124)                  |
|                             |                                 |                 | 134,134              | 155,134                  |
| Less current installments   |                                 |                 | (29,578)             | (33,581)                 |

|   |         |         |
|---|---------|---------|
| ₩ | 104,556 | 121,553 |
|---|---------|---------|

(\*) Prior to 2015, the Group obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are repaid by installments on an annual basis from 2014 to 2022.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**16. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won, thousands of U.S. dollars and thousands of other currencies)*

|                             |                  |          | Annual        |     | June 30, | December 31, |
|-----------------------------|------------------|----------|---------------|-----|----------|--------------|
|                             | Purpose          | Maturity | interest rate | (%) | 2016     | 2015         |
| Unsecured private bonds     | Refinancing fund | 2016     | 5.00          | ₩   | 200,000  | 200,000      |
| Unsecured private bonds     | Other fund       | 2018     | 5.00          |     | 200,000  | 200,000      |
| Unsecured private bonds     |                  | 2016     | 5.54          |     |          | 40,000       |
| Unsecured private bonds     |                  | 2016     | 5.92          |     |          | 230,000      |
| Unsecured private bonds     | Operating fund   | 2016     | 3.95          |     | 110,000  | 110,000      |
| Unsecured private bonds     |                  | 2021     | 4.22          |     | 190,000  | 190,000      |
| Unsecured private bonds     | Operating and    | 2019     | 3.24          |     | 170,000  | 170,000      |
| Unsecured private bonds     | refinancing fund | 2022     | 3.30          |     | 140,000  | 140,000      |
| Unsecured private bonds     |                  | 2032     | 3.45          |     | 90,000   | 90,000       |
| Unsecured private bonds     | Operating fund   | 2023     | 3.03          |     | 230,000  | 230,000      |
| Unsecured private bonds     |                  | 2033     | 3.22          |     | 130,000  | 130,000      |
| Unsecured private bonds     |                  | 2019     | 3.30          |     | 50,000   | 50,000       |
| Unsecured private bonds     |                  | 2024     | 3.64          |     | 150,000  | 150,000      |
| Unsecured private bonds(*4) |                  | 2029     | 4.72          |     | 54,969   | 54,695       |
| Unsecured private bonds     | Refinancing fund | 2019     | 2.53          |     | 160,000  | 160,000      |
| Unsecured private bonds     |                  | 2021     | 2.66          |     | 150,000  | 150,000      |
| Unsecured private bonds     |                  | 2024     | 2.82          |     | 190,000  | 190,000      |
| Unsecured private bonds     | Operating and    | 2022     | 2.40          |     | 100,000  | 100,000      |
| Unsecured private bonds     | refinancing fund | 2025     | 2.49          |     | 150,000  | 150,000      |
| Unsecured private bonds     |                  | 2030     | 2.61          |     | 50,000   | 50,000       |
| Unsecured private bonds     | Operating fund   | 2018     | 1.89          |     | 90,000   | 90,000       |
| Unsecured private bonds     |                  | 2025     | 2.66          |     | 70,000   | 70,000       |
| Unsecured private bonds     |                  | 2030     | 2.82          |     | 90,000   | 90,000       |
| Unsecured private bonds(*4) |                  | 2030     | 3.40          |     | 50,098   | 50,485       |
| Unsecured private bonds     | Operating and    | 2018     | 2.07          |     | 80,000   | 80,000       |
| Unsecured private bonds     | refinancing fund | 2025     | 2.55          |     | 100,000  | 100,000      |
| Unsecured private bonds     |                  | 2035     | 2.75          |     | 70,000   | 70,000       |
| Unsecured private bonds(*4) |                  | 2030     | 3.10          |     | 50,460   | 50,524       |
| Unsecured private bonds     | Operating fund   | 2019     | 1.65          |     | 70,000   |              |

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|                             |      |      |               |               |
|-----------------------------|------|------|---------------|---------------|
| Unsecured private bonds     | 2021 | 1.80 | 100,000       |               |
| Unsecured private bonds     | 2026 | 2.08 | 90,000        |               |
| Unsecured private bonds     | 2036 | 2.24 | 80,000        |               |
| Unsecured private bonds     | 2019 | 1.62 | 50,000        |               |
| Unsecured private bonds     | 2021 | 1.71 | 50,000        |               |
| Unsecured private bonds     | 2026 | 1.97 | 120,000       |               |
| Unsecured private bonds     | 2031 | 2.17 | 50,000        |               |
| Unsecured private bonds(*1) | 2017 | 4.28 | 100,000       | 100,000       |
| Unsecured private bonds(*1) | 2017 | 3.27 | 120,000       | 120,000       |
| Unsecured private bonds(*1) | 2016 | 3.05 | 80,000        | 80,000        |
| Unsecured private bonds(*1) | 2019 | 3.49 | 210,000       | 210,000       |
| Unsecured private bonds(*1) | 2019 | 2.76 | 130,000       | 130,000       |
| Unsecured private bonds(*1) | 2018 | 2.23 | 50,000        | 50,000        |
| Unsecured private bonds(*1) | 2020 | 2.49 | 160,000       | 160,000       |
| Unsecured private bonds(*1) | 2020 | 2.43 | 140,000       | 140,000       |
| Unsecured private bonds(*1) | 2020 | 2.18 | 130,000       | 130,000       |
| Unsecured private bonds(*2) | 2016 | 3.24 |               | 10,000        |
| Unsecured private bonds(*2) | 2017 | 3.48 | 20,000        | 20,000        |
| Unsecured global bonds      | 2027 | 6.63 | 465,880       | 468,800       |
|                             |      |      | (USD 400,000) | (USD 400,000) |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**16. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won, thousands of U.S. dollars and thousands of other currencies)*

|                                    | Purpose        | Maturity | Annual interest rate (%) | June 30, 2016 | December 31, 2015 |
|------------------------------------|----------------|----------|--------------------------|---------------|-------------------|
| Unsecured private Swiss bond       |                | 2017     | 1.75                     | 356,760       | 355,617           |
|                                    |                |          |                          | (CHF 300,000) | (CHF 300,000)     |
| Unsecured global bonds             |                |          |                          | 815,290       | 820,400           |
|                                    | Operating fund | 2018     | 2.13                     | (USD 700,000) | (USD 700,000)     |
| Unsecured private Australian bonds |                | 2017     | 4.75                     | 260,310       | 255,930           |
|                                    |                |          |                          | (AUD 300,000) | (AUD 300,000)     |
| Floating rate notes(*3)            |                | 2020     | 3M LIBOR + 0.88          | 349,410       | 351,600           |
|                                    |                |          |                          | (USD 300,000) | (USD 300,000)     |
| Unsecured global bonds(*1)         |                | 2018     | 2.88                     | 349,410       | 351,600           |
|                                    |                |          |                          | (USD 300,000) | (USD 300,000)     |
| Sub-total                          |                |          |                          | 7,462,587     | 7,139,651         |
| Less discounts on bonds            |                |          |                          | (29,105)      | (30,998)          |
|                                    |                |          |                          | 7,433,482     | 7,108,653         |
| Less current portion of bonds      |                |          |                          | (866,042)     | (669,506)         |
|                                    |                |          |                          | ₩ 6,567,440   | 6,439,147         |

(\*1) Unsecured private bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.

(\*2) Unsecured private bonds were issued by PS&amp;Marketing Corporation, a subsidiary of the Parent Company.

(\*3) As of June 30, 2016, 3M LIBOR rate is 0.65%.

(\*4) The Group eliminated a measurement inconsistency of accounting profit or loss between the bonds and related derivatives by designating the structured bonds as financial liabilities at fair value through profit or loss.

The carrying amount of financial liabilities designated at fair value through profit or loss exceeds the principal amount required to pay at maturity by ₩5,527 million as of June 30, 2016.



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**17. Long-term Payables - other**

(1) Long-term payables other as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--|----------------------|--------------------------|
| Payables related to acquisition of W-CDMA licenses | ₩ 440,841            | 550,964                  |
| Other(*)   | 30,987               | 30,733                   |
|  | <b>₩ 471,828</b>     | <b>581,697</b>           |

(\*) Other includes vested compensation claims of employees who have rendered long-term services, etc.

(2) As of June 30, 2016 and December 31, 2015, details of long-term payables other which consist of payables related to the acquisition of W-CDMA licenses for 2.3GHz and 1.8GHz frequencies are as follows (See Note 15):

*(In millions of won)*

|  | <b>Period of<br/>repayment</b> | <b>Coupon rate</b> | <b>Annual effective<br/>interest<br/>rate(*)</b> | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--|--------------------------------|--------------------|--|--------------------------|------------------------------|
| 2.3GHz   | 2014~2016                      | 3.00%              | 5.80%  | ₩                        | 2,882                        |
| 1.8GHz   | 2012~2021                      | 2.43~3.00%         | 4.84~5.25%                                       | 589,172                  | 707,006                      |
|  |                                |                    |  | 589,172                  | 709,888                      |
| Present value discount on long-term payables - other |                                |                    |  | (32,252)                 | (38,739)                     |
|  |                                |                    |  | 556,920                  | 671,149                      |
| Current installments                                 |                                |                    |  | (116,079)                | (120,185)                    |
| Carrying amount at period end                        |                                |                    |  | <b>₩ 440,841</b>         | <b>550,964</b>               |

(\*) The Group estimated the discount rates based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables - other.

(3) The repayment schedule of the principal amount of long-term payables related to acquisition of W-CDMA licenses as of June 30, 2016 is as follows:

*(In millions of won)*

|                  | <b>Amount</b> |
|------------------|---------------|
| Less than 1 year | ₩ 117,834     |
| 1~3 years        | 235,669       |
| 3~5 years        | 235,669       |
|                  | ₩ 589,172     |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**18. Provisions**

Changes in provisions for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

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

*(In millions of won)*

|  | For the six-month period ended June 30, 2015 |          |             |          |       | As of June 30, 2015 |         |             |
|--|--|----------|-------------|----------|-------|---------------------|---------|-------------|
|  | Beginning balance                            | Increase | Utilization | Reversal | Other | Ending balance      | Current | Non-current |
| Provision for installment of handset subsidy | ₩ 26,799                                     |          | (2,696)     | (18,173) |       | 5,930               | 3,368   | 2,562       |
| Provision for restoration                    | 59,727                                       | 1,844    | (375)       | (962)    | 868   | 61,102              | 34,658  | 26,444      |
| Other provisions                             | 562  | 1,921    | (323)       |          |       | 2,160               | 1,259   | 901         |
|  | ₩ 87,088                                     | 3,765    | (3,394)     | (19,135) | 868   | 69,192              | 39,285  | 29,907      |

The Group has provided handset subsidy to subscribers who purchase handsets on an installment basis and recognized a provision for subsidy amounts which the Group is expected to pay in future periods.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**19. Leases****(1) Operating Lease**

The Group entered into operating lease and sublease agreements in relation to rented office space and the expected future lease payments and revenues as of June 30, 2016 are as follows:

*(In millions of won)*

|                   | <b>Lease payments</b> | <b>Revenues</b> |
|-------------------|-----------------------|-----------------|
| Less than 1 year  | ₩ 41,888              | 1,882           |
| 1~5 years         | 79,657                | 896             |
| More than 5 years | 25,409                | 448             |
|                   | ₩ 146,954             | 3,226           |

**(2) Sale and Leaseback**

In 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. These sale and leaseback transactions are considered as operating leases and expected future lease payments and lease revenues are presented in Note 19-(1).

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**20. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--|----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 578,719            | 525,269                  |
| Fair value of plan assets                    | (429,343)            | (426,413)                |
|  | ₩ 149,376            | 98,856                   |

(2) Changes in defined benefit obligations for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                  | <b>For the six-month period ended</b> |                      |
|----------------------------------|---------------------------------------|----------------------|
|                                  | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Beginning balance                | ₩ 525,269                             | 437,844              |
| Current service cost             | 56,780                                | 52,278               |
| Interest cost                    | 6,458                                 | 5,957                |
| Remeasurement                    |                                       |                      |
| - Demographic assumption         |                                       | (6)                  |
| - Financial assumption           |                                       | 760                  |
| - Adjustment based on experience | 10,056                                | 3,522                |
| Benefit paid                     | (20,553)                              | (33,513)             |
| Others                           | 709                                   | 4,198                |
| Ending balance                   | ₩ 578,719                             | 471,040              |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**20. Defined Benefit Liabilities, Continued**

(3) Changes in plan assets for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Beginning balance           | ₩ 426,413                             | 346,257              |
| Interest income             | 4,848                                 | 4,721                |
| Remeasurement               | (5,501)                               | (2,567)              |
| Contributions               | 20,509                                | 29,033               |
| Benefit paid                | (18,125)                              | (30,334)             |
| Others                      | 1,199                                 | 2,201                |
| Ending balance              | ₩ 429,343                             | 349,311              |

(4) Expenses recognized in profit and loss for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Current service cost        | ₩ 56,780                              | 52,278               |
| Net interest cost           | 1,610                                 | 1,236                |
|                             | ₩ 58,390                              | 53,514               |

The above costs are recognized in labor cost and research and development.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**21. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of June 30, 2016 are as follows:

*(In thousands of foreign currencies)*

| <b>Borrowing</b> |  |  | <b>Contract</b>                 | <b>Financial</b>                    | <b>Duration of</b>               |
|------------------|--|--|---------------------------------|-------------------------------------|----------------------------------|
| <b>date</b>      | <b>Hedging Instrument (Hedged item)</b>  | <b>Hedged risk</b>                           | <b>type</b>                     | <b>institution</b>                  | <b>contract</b>                  |
| Jul. 20, 2007    | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 400,000)                  | Foreign currency risk                        | Currency swap                   | Morgan Stanley and five other banks | Jul. 20, 2007 ~<br>Jul. 20, 2027 |
| Jun. 12, 2012    | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds with face value of CHF 300,000)                  | Foreign currency risk                        | Currency swap                   | Citibank and four other banks       | Jun. 12, 2012 ~<br>Jun. 12, 2017 |
| Nov. 1, 2012     | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 700,000)                  | Foreign currency risk                        | Currency swap                   | Barclays and eight other banks      | Nov. 1, 2012 ~<br>May 1, 2018    |
| Jan. 17, 2013    | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds with face value of AUD 300,000)             | Foreign currency risk                        | Currency swap                   | BNP Paribas and three other banks   | Jan. 17, 2013 ~<br>Nov. 17, 2017 |
| Mar. 7, 2013     | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds with face value of USD 300,000) | Foreign currency risk and interest rate risk | Currency and interest rate swap | DBS Bank                            | Mar. 7, 2013 ~<br>Mar. 7, 2020   |
| Oct. 29, 2013    | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 300,000)                  | Foreign currency risk                        | Currency swap                   | Korea Development Bank and others   | Oct. 29, 2013 ~<br>Oct. 26, 2018 |
| Dec. 16, 2013    | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 69,056)                   | Foreign currency risk                        | Currency swap                   | Deutsche bank                       | Dec. 16, 2013 ~<br>Apr. 29, 2022 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**21. Derivative Instruments, Continued**

(2) As of June 30, 2016, details of fair values of above derivatives recorded in assets or liabilities are as follows:

*(In millions of won and thousands of foreign currencies)*

| Hedging Instrument (Hedged item)   | Accumulated<br>gain<br>(loss) on<br>valuation<br>of<br>derivatives | Cash flow hedge<br>Tax<br>effect | Fair value  |               | Held for<br>trading | Total    |
|--|--|----------------------------------|---|---------------|---------------------|----------|
|  |  |                                  | Accumulated<br>foreign<br>currency<br>translation<br>(gain)<br>loss | Others<br>(*) |                     |          |
| <b>Non-current assets:</b>   |  |                                  |   |               |                     |          |
| Structured bond (face value of KRW 150,000)  | ₩  |                                  |   |               | 9,961               | 9,961    |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 400,000)                  | (50,424)   | (16,098)                         | 8,299   | 129,806       |                     | 71,583   |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 700,000)                  | (15,296)   | (4,884)                          | 51,650  |               |                     | 31,470   |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds with face value of USD 300,000) | (11,613)   | (3,709)                          | 24,255  |               |                     | 8,933    |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds with face value of USD 300,000)                  | (4,481)  |                                  | 30,694  |               |                     | 26,213   |
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds with face value of USD 69,056)                  | (3,622)  | (1,156)                          | 7,457   |               |                     | 2,679    |
| <b>Total assets</b>  |  |                                  |   |               | ₩ 150,839           |          |
| <b>Current liability:</b>  |  |                                  |   |               |                     |          |
|  | ₩ (6,565)  | (2,095)                          | (6,710)   |               |                     | (15,370) |



Fixed-to-fixed cross currency swap  
(Swiss Franc denominated bonds with face  
value of CHF 300,000)

**Non-current liability:**

Fixed-to-fixed cross currency swap  
(U.S. dollar denominated bonds with face  
value of AUD 300,000)

|       |     |          |          |
|-------|-----|----------|----------|
| 2,873 | 918 | (74,879) | (71,088) |
|-------|-----|----------|----------|

|                          |  |  |  |                   |
|--------------------------|--|--|--|-------------------|
| <b>Total liabilities</b> |  |  |  | <b>₩ (86,458)</b> |
|--------------------------|--|--|--|-------------------|

(\*) Cash flow hedge accounting has been applied to the relevant contracts from May 12, 2010. Others represent gain on valuation of currency swap recognized in profit or loss prior to May 12, 2010, when the Group started to apply hedge accounting to these contracts.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**22. Share Capital and Capital Surplus and Others**

The Parent Company's outstanding share capital consists entirely of common stocks with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and others as of June 30, 2016 and December 31, 2015 are as follows:

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

|                              | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|------------------------------|----------------------|--------------------------|
| Number of authorized shares  | 220,000,000          | 220,000,000              |
| Number of issued shares (*1) | 80,745,711           | 80,745,711               |
| Share capital:               |                      |                          |
| Common stock                 | ₩ 44,639             | 44,639                   |
| Capital surplus and others   |                      |                          |
| Paid-in surplus              | 2,915,887            | 2,915,887                |
| Treasury stock (Note 23)     | (2,260,626)          | (2,260,626)              |
| Hybrid bond (Note 24)        | 398,518              | 398,518                  |
| Others (*2)                  | (862,095)            | (864,269)                |
|                              | ₩ 191,684            | 189,510                  |

(\*1) Prior to 2015, the Parent Company retired shares of treasury stock which reduced its retained earnings before appropriation. As a result, the Parent Company's outstanding shares have decreased without change in the share capital.

(\*2) Others primarily consist of the excess of the consideration paid by the Group over the carrying values of net assets acquired from common control transactions with entities within the control of the Ultimate Controlling Entity.

There were no changes in share capital for the six-month periods ended June 30, 2016 and 2015 and details of shares outstanding as of June 30, 2016 and 2015 are as follows:

*(In shares)*

|                            | <b>June 30, 2016</b>     |                           |                               | <b>June 30, 2015</b>     |                           |                               |
|----------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|
|                            | <b>Issued<br/>shares</b> | <b>Treasury<br/>stock</b> | <b>Outstanding<br/>shares</b> | <b>Issued<br/>shares</b> | <b>Treasury<br/>stock</b> | <b>Outstanding<br/>shares</b> |
| Beginning                  | 80,745,711               | 10,136,551                | 70,609,160                    | 80,745,711               | 9,809,375                 | 70,936,336                    |
| Disposal of treasury stock |                          |                           |                               |                          | (1,692,824)               | 1,692,824                     |

|        |            |            |            |            |           |            |
|--------|------------|------------|------------|------------|-----------|------------|
| Ending | 80,745,711 | 10,136,551 | 70,609,160 | 80,745,711 | 8,116,551 | 72,629,160 |
|--------|------------|------------|------------|------------|-----------|------------|

### 23. Treasury Stock

The Parent Company acquired treasury stocks to provide stock dividends, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices.

Treasury stocks as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won, shares)*

|                  | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|------------------|--------------------------|--------------------------|
| Number of shares | 10,136,551               | 10,136,551               |
| Amount           | ₩ 2,260,626              | 2,260,626                |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**24. Hybrid Bond**

Hybrid bonds classified as equity as of June 30, 2016 are as follows:

*(In millions of won)*

|                      | Type                               | Issuance date | Maturity         | Annual interest rate(%) | Amount    |
|----------------------|------------------------------------|---------------|------------------|-------------------------|-----------|
| Private hybrid bonds | Unsecured subordinated bearer bond | June 7, 2013  | June 7, 2073(*1) | 4.21(*2)                | ₩ 400,000 |
| Issuance costs       |                                    |               |                  |                         | (1,482)   |
|                      |                                    |               |                  |                         | ₩ 398,518 |

Hybrid bonds issued by the Parent Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common stocks in the event of a liquidation or reorganization of the Parent Company.

(\*1) The Parent Company has a right to extend the maturity under the same terms at issuance without any notice or announcement. The Parent Company also has the right to defer interest payment at its sole discretion.

(\*2) Annual interest rate is calculated as yield rate of 5 year national bonds plus premium. According to Step-up clause, additional premium of 0.25% and 0.75%, respectively, after 10 years and 25 years from the issuance date are applied.

**25. Retained Earnings**

Retained earnings as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|   | June 30, 2016 | December 31, 2015 |
|---|---------------|-------------------|
| Appropriated:                               |               |                   |
| Legal reserve                               | ₩ 22,320      | 22,320            |
| Reserve for research & manpower development | 60,001        | 87,301            |

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|                                    |              |            |
|------------------------------------|--------------|------------|
| Reserve for business expansion     | 9,871,138    | 9,671,138  |
| Reserve for technology development | 2,826,300    | 2,616,300  |
|                                    | 12,779,759   | 12,397,059 |
| Unappropriated                     | 2,434,444    | 2,610,568  |
|                                    | ₩ 15,214,203 | 15,007,627 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**26. Reserves**

(1) Details of reserves, net of taxes, as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|--|----------------------|--------------------------|
| Changes in unrealized fair value of available-for-sale financial assets  | ₩ 41,628             | 232,316                  |
| Other comprehensive loss of investments in associates and joint ventures | (200,468)            | (169,520)                |
| Changes in unrealized fair value of derivatives                          | (89,129)             | (83,200)                 |
| Foreign currency translations differences for foreign operations         | 15,564               | 29,707                   |
|  | ₩ (232,405)          | 9,303                    |

(2) Change in reserves for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                            | <b>Unrealized<br/>fair value of<br/>available-for-<br/>sale<br/>financial<br/>assets</b> | <b>Other<br/>comprehensive<br/>loss<br/>of investment<br/>in associates</b> | <b>Unrealized<br/>fair value of<br/>derivatives</b> | <b>Foreign<br/>currency<br/>translations<br/>differences<br/>for<br/>foreign<br/>operations</b> | <b>Total</b> |
|----------------------------|--|---|---|---|--------------|
| Balance at January 1, 2015 | ₩ 235,385  | (163,808)   | (77,531)  | 1,465   | (4,489)      |
| Changes                    | 69,215   | 27,946  | (29,988)  | 8,356   | 75,529       |
| Tax effect                 | (16,499)   | (69)  | 4,917   |   | (11,651)     |
| Balance at June 30, 2015   | ₩ 288,101  | (135,931)   | (102,602)   | 9,821   | 59,389       |
| Balance at January 1, 2016 | ₩ 232,316  | (169,520)   | (83,200)  | 29,707  | 9,303        |
| Changes                    | (253,033)  | (30,917)  | (8,432)   | (14,143)  | (306,525)    |
| Tax effect                 | 62,345   | (31)  | 2,503   |   | 64,817       |

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|                          |   |        |           |          |        |           |
|--------------------------|---|--------|-----------|----------|--------|-----------|
| Balance at June 30, 2016 | ₩ | 41,628 | (200,468) | (89,129) | 15,564 | (232,405) |
|--------------------------|---|--------|-----------|----------|--------|-----------|

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**27. Other Operating Expenses**

Details of other operating expenses for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|  | 2016                                      |                                      | 2015                                      |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Other Operating Expenses:</b>         |   |                                      |   |                                      |
| Communication                            | ₩ 8,368                                   | 18,150                               | 11,512                                    | 24,051                               |
| Utilities                                | 61,496                                    | 132,412                              | 60,476                                    | 126,608                              |
| Taxes and dues                           | 8,610                                     | 17,841                               | 8,114                                     | 16,468                               |
| Repair                                   | 86,764                                    | 155,489                              | 79,975                                    | 145,832                              |
| Research and development                 | 84,012                                    | 168,111                              | 77,952                                    | 147,422                              |
| Training                                 | 6,985                                     | 13,791                               | 7,128                                     | 14,569                               |
| Bad debt for accounts receivable - trade | 14,601                                    | 22,643                               | 21,982                                    | 34,995                               |
| Travel                                   | 6,786                                     | 12,118                               | 7,154                                     | 13,965                               |
| Supplies and other                       | 13,468                                    | 53,152                               | 38,003                                    | 83,707                               |
|  | ₩ 291,090                                 | 593,707                              | 312,296                                   | 607,617                              |

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

(1) Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                    | 2016                                   |                                      | 2015                                      |                                      |
|------------------------------------|--|--------------------------------------|---|--------------------------------------|
|                                    | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Other Non-operating Income:</b> |  |                                      |   |                                      |
| Fees revenues                      | ₩ 173                                  | 267                                  | 201                                       | 323                                  |
|                                    | 1,297                                  | 2,248                                | 1,842                                     | 2,765                                |



|  |         |        |       |        |
|--|---------|--------|-------|--------|
| Gain on disposal of property and equipment and intangible assets |         |        |       |        |
| Others   | 8,155   | 38,809 | 5,133 | 12,275 |
|  | ₩ 9,625 | 41,324 | 7,176 | 15,363 |

**Other Non-operating Expenses:**

|  |          |        |        |        |
|--|----------|--------|--------|--------|
| Loss on impairment of property and equipment and intangible assets | ₩ 609    | 797    | 953    | 1,976  |
| Loss on disposal of property and equipment and intangible assets   | 9,929    | 18,199 | 1,281  | 3,290  |
| Donations  | 17,529   | 47,138 | 24,937 | 30,769 |
| Bad debt for accounts receivable others                            | 3,408    | 3,409  | 6,226  | 4,074  |
| Loss on impairment of investment assets                            | 5,531    | 11,868 | 9,398  | 18,668 |
| Others   | 5,002    | 9,804  | 9,096  | 39,092 |
|  | ₩ 42,008 | 91,215 | 51,891 | 97,869 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**29. Finance Income and Costs**

- (1) Details of finance income and costs for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | 2016                                      |                                      | 2015                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Finance Income:</b>  |   |                                      |   |                                      |
| Interest income   | ₩ 12,346                                  | 24,395                               | 12,380                                    | 25,181                               |
| Dividends   | 29  | 14,842                               | 43  | 13,339                               |
| Gain on foreign currency transactions                                       | 1,765                                     | 7,513                                | 2,815                                     | 6,288                                |
| Gain on foreign currency translations                                       | 826                                       | 1,036                                | 3,243                                     | 4,024                                |
| Gain on disposal of long-term investment securities(*)                      | 1,187                                     | 316,902                              | 3,606                                     | 6,252                                |
| Gain on valuation of derivatives  | 463                                       | 3,684                                |   | 1,030                                |
| Gain relating to financial liabilities at fair value through profit or loss | 403                                       | 177                                  | 6,966                                     | 5,188                                |
| Gain on disposal of accounts receivable - trade                             | 5,191                                     | 7,855                                |   |                                      |
|   | ₩ 22,210                                  | 376,404                              | 29,053                                    | 61,302                               |

- (\*) ₩314,745 million of gain on disposal of long-term investment securities was recognized upon disposal of the Group's remaining equity interest of Loen Entertainment, Inc.

*(In millions of won)*

|                       | 2016                                      |                                      | 2015                                      |                                      |
|-----------------------|---|--------------------------------------|---|--------------------------------------|
|                       | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Finance Costs:</b> |   |                                      |   |                                      |
| Interest expense      | ₩ 70,017                                  | 142,409                              | 74,706                                    | 150,222                              |

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|   |          |         |        |         |
|---|----------|---------|--------|---------|
| Loss on foreign currency transactions                                       | 3,954    | 7,392   | 2,880  | 8,193   |
| Loss on foreign currency translations                                       |          | 1,684   | 2,088  | 3,132   |
| Loss on disposal of long-term investment securities                         | 50       | 134     | 1,649  | 1,651   |
| Loss on valuation of derivatives  |          |         | 699    |         |
| Loss on settlement of derivatives   | 319      | 319     | 4,517  | 4,517   |
| Loss relating to financial liabilities at fair value through profit or loss |          |         |        | 174     |
| Other finance costs   |          |         | 3,151  | 3,151   |
|   | ₩ 74,340 | 151,938 | 89,690 | 171,040 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|   | 2016                                      |                                      | 2015                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Interest income on cash equivalents and deposits      | ₩ 5,389                                   | 10,346                               | 5,010                                     | 10,393                               |
| Interest income on installment receivables and others | 6,957                                     | 14,049                               | 7,370                                     | 14,788                               |
|   | ₩ 12,346                                  | 24,395                               | 12,380                                    | 25,181                               |

- (3) Details of interest expense included in finance costs for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                       | 2016                                      |                                      | 2015                                      |                                      |
|---------------------------------------|---|--------------------------------------|---|--------------------------------------|
|                                       | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Interest expenses on borrowings       | ₩ 2,591                                   | 4,958                                | 8,536                                     | 12,722                               |
| Interest expenses on debentures       | 59,901                                    | 120,975                              | 56,610                                    | 116,514                              |
| Interest on finance lease liabilities |   |                                      | 19  | 47                                   |
| Others                                | 7,525                                     | 16,476                               | 9,541                                     | 20,939                               |
|                                       | ₩ 70,017                                  | 142,409                              | 74,706                                    | 150,222                              |

(4)

Details of impairment losses for financial assets for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

|                                     | 2016                                      |                                      | 2015                                      |                                      |
|-------------------------------------|---|--------------------------------------|---|--------------------------------------|
|                                     | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Available-for-sale financial assets | ₩   |                                      | 3,151                                     | 3,151                                |
| Accounts receivable - trade         | 14,601                                    | 22,643                               | 21,982                                    | 34,995                               |
| Other receivables                   | 3,408                                     | 3,409                                | 6,226                                     | 4,074                                |
|                                     | ₩ 18,009                                  | 26,052                               | 31,359                                    | 42,220                               |

### 30. Income Tax Expense

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**31. Earnings per Share**

(1) Basic earnings per share

- 1) Basic earnings per share for the three and six-month periods ended June 30, 2016 and 2015 are calculated as follows:

*(In millions of won, shares)*

|   | 2016                                   |   | 2015                                      |   |
|---|--|---|---|---|
|   | Three-month<br>period ended<br>June 30 | Six-month<br>period<br>ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period<br>ended<br>June 30 |
| <b>Basic earnings per share<br/>attributable to owners of the Parent<br/>Company:</b> |  |   |   |   |
| Profit attributable to owners of the<br>Parent Company on common shares               | ₩ 290,135                              | 861,982                                 | 395,839                                   | 840,334                                 |
| Interest on hybrid bonds  | (8,420)                                | (8,420)                                 | (8,420)                                   | (8,420)                                 |
| Profit for the period on common shares  | 281,715                                | 853,562                                 | 387,419                                   | 831,914                                 |
| Weighted average number of common<br>shares outstanding                               | 70,609,160                             | 70,609,160                              | 71,326,988                                | 71,132,741                              |
| Basic earnings per share (in won)   | ₩ 3,990                                | 12,089                                  | 5,432                                     | 11,695                                  |

- 2) The weighted average number of common shares outstanding for the three and six-month periods ended June 30, 2016 and 2015 are calculated as follows:

*(In shares)*

|  | Number of<br>shares | Weighted number of shares              |                                   |
|--|---------------------|--|-----------------------------------|
|  |                     | Three-month period<br>ended<br>June 30 | Six-month period<br>ended June 30 |
| Issued common shares at January 1,<br>2016 | 80,745,711          | 80,745,711                             | 80,745,711                        |
|  | (10,136,551)        | (10,136,551)                           | (10,136,551)                      |

Weighted average number of treasury stock

|   |            |            |            |
|---|------------|------------|------------|
| Weighted average number of common shares outstanding at June 30, 2016 | 70,609,160 | 70,609,160 | 70,609,160 |
|---|------------|------------|------------|

*(In shares)*

|   |                         | <b>Weighted number of shares</b>        |                                       |
|---|-------------------------|---|---------------------------------------|
|   | <b>Number of shares</b> | <b>Three-month period ended June 30</b> | <b>Six-month period ended June 30</b> |
| Issued common shares at January 1, 2015                               | 80,745,711              | 80,745,711                              | 80,745,711                            |
| Weighted average number of treasury stock                             | (8,116,551)             | (9,418,723)                             | (9,612,970)                           |
| Weighted average number of common shares outstanding at June 30, 2015 | 72,629,160              | 71,326,988                              | 71,132,741                            |

(2) Diluted earnings per share

For the six-month periods ended June 30, 2016 and 2015, there were no potentially dilutive shares. Therefore, diluted earnings per share for the six-month periods ended June 30, 2016 and 2015 are the same as basic earnings per share.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**32. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                  | <b>June 30, 2016</b>   |   |                                  |   |              |
|----------------------------------|--|---|----------------------------------|---|--------------|
|                                  | <b>Financial<br/>assets at<br/>fair<br/>value through<br/>profit or<br/>loss</b> | <b>Available-for-<br/>sale financial<br/>assets</b> | <b>Loans and<br/>receivables</b> | <b>Derivative<br/>financial<br/>instruments<br/>designated<br/>as hedged<br/>item</b> | <b>Total</b> |
| Cash and cash equivalents        | ₩  |   | 1,099,561                        |   | 1,099,561    |
| Financial instruments            |  |   | 595,758                          |   | 595,758      |
| Short-term investment securities |  | 346,694   |                                  |   | 346,694      |
| Long-term investment securities  |  | 1,046,661   |                                  |   | 1,046,661    |
| Accounts receivable trade        |  |   | 2,228,412                        |   | 2,228,412    |
| Loans and other receivables(*)   |  |   | 1,761,912                        |   | 1,761,912    |
| Derivative financial assets      | 9,961  |   |                                  | 140,878   | 150,839      |
|                                  | ₩ 9,961  | 1,393,355   | 5,685,643                        | 140,878   | 7,229,837    |



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(1) Financial assets by categories as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won)*

|                                  | <b>December 31, 2015</b>   |   |                                  |   |              |
|----------------------------------|--|---|----------------------------------|---|--------------|
|                                  | <b>Financial<br/>assets at fair<br/>value through<br/>profit<br/>or loss</b> | <b>Available-for-<br/>sale<br/>financial<br/>assets</b> | <b>Loans and<br/>receivables</b> | <b>Derivative<br/>financial<br/>instruments<br/>designated<br/>as hedged<br/>item</b> | <b>Total</b> |
| Cash and cash equivalents        | ₩  |   | 768,922                          |   | 768,922      |
| Financial instruments            |  |   | 701,713                          |   | 701,713      |
| Short-term investment securities |  | 92,262  |                                  |   | 92,262       |
| Long-term investment securities  |  | 1,207,226   |                                  |   | 1,207,226    |
| Accounts receivable trade        |  |   | 2,390,110                        |   | 2,390,110    |
| Loans and other receivables(*)   |  |   | 1,102,403                        |   | 1,102,403    |
| Derivative financial assets      | 6,277  |   |                                  | 160,122   | 166,399      |
|                                  | ₩6,277   | 1,299,488   | 4,963,148                        | 160,122   | 6,429,035    |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(1) Financial assets by categories as of June 30, 2016 and December 31, 2015 are as follows, Continued:

(\*) Details of loans and other receivables as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                       | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|---------------------------------------|--------------------------|--------------------------|
| Short-term loans                      | ₩ 66,187                 | 53,895                   |
| Accounts receivable - other           | 1,273,406                | 673,739                  |
| Accrued income                        | 12,645                   | 10,753                   |
| Other current assets                  | 1,887                    | 1,861                    |
| Long-term loans                       | 61,572                   | 62,454                   |
| Long-term accounts receivable - other | 47,983                   | 2,420                    |
| Guarantee deposits                    | 298,232                  | 297,281                  |
|                                       | ₩ 1,761,912              | 1,102,403                |

(2) Financial liabilities by categories as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|  | <b>June 30, 2016</b>  |   |   |              |
|--|---|---|---|--------------|
|  | <b>Financial<br/>liabilities at fair<br/>value<br/>through<br/>profit or<br/>loss</b> | <b>Financial<br/>liabilities<br/>measured at<br/>amortized cost</b> | <b>Derivative financial<br/>instruments<br/>designated as<br/>hedged item</b> | <b>Total</b> |
| Accounts payable trade                   | ₩   | 251,106   |   | 251,106      |
| Derivative financial liabilities         |   |   | 86,458  | 86,458       |
| Borrowings                               |   | 219,134   |   | 219,134      |
| Debentures(*1)                           | 155,527   | 7,277,955   |   | 7,433,482    |
| Accounts payable - other and others (*2) |   | 2,781,063   |   | 2,781,063    |

₩ 155,527      10,529,258      86,458      10,771,243

(In millions of won)

|  | <b>December 31, 2015</b>  |   |   |              |
|--|---|---|---|--------------|
|  | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Accounts payable trade                   | ₩   | 279,782   |   | 279,782      |
| Derivative financial liabilities         |   |   | 89,296  | 89,296       |
| Borrowings                               |   | 415,134   |   | 415,134      |
| Debentures(*1)                           | 155,704   | 6,952,949   |   | 7,108,653    |
| Accounts payable - other and others (*2) |   | 2,970,801   |   | 2,970,801    |
|  | ₩ 155,704   | 10,618,666  | 89,296  | 10,863,666   |

(\*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2016 and December 31, 2015 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to eliminate the difference in measurement bases with the related derivatives and bonds.

(\*2) Details of accounts payable and other payables as of June 30, 2016 and December 31, 2015 are as follows:

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

(2) Financial liabilities by categories as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won)*

|   | <b>June 30,<br/>2016</b> | <b>December 31, 2015</b> |
|---|--------------------------|--------------------------|
| Accounts payable - other                              | ₩ 1,141,810              | 1,323,434                |
| Withholdings  | 2,400                    | 1,178                    |
| Accrued expenses                                      | 1,028,226                | 920,739                  |
| Current installments of long-term payables -<br>other | 116,079                  | 120,211                  |
| Long-term payables - other                            | 471,828                  | 581,697                  |
| Other non-current liabilities                         | 20,720                   | 23,542                   |
|   | <b>₩ 2,781,063</b>       | <b>2,970,801</b>         |

**33. Financial Risk Management**

(1) Financial risk management

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

The Group's financial assets consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

1) Market risk

(i) Currency risk

Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Group. The Group manages currency risk by currency forward, etc. if needed to hedge currency risk on business transactions.



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Foreign currency monetary assets and liabilities as of June 30, 2016 are as follows:

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

|        | Assets             |                 | Liabilities        |                 |
|--------|--------------------|-----------------|--------------------|-----------------|
|        | Foreign currencies | Won translation | Foreign Currencies | Won translation |
| USD    | 154,407            | ₩ 179,759       | 1,840,451          | ₩ 2,143,600     |
| EUR    | 7,442              | 9,641           | 38                 | 49              |
| JPY    | 122,018            | 1,381           | 1,952              | 21              |
| AUD    |                    |                 | 299,274            | 259,680         |
| CHF    |                    |                 | 299,587            | 356,269         |
| Others |                    | 1,744           |                    | 6               |
|        |                    | ₩ 192,525       |                    | ₩ 2,759,625     |

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 21)

As of June 30, 2016, effects on income before income tax as a result of change in exchange rate by 10% are as follows:

*(In millions of won)*

|        | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|--------|----------------------------|----------------------------|
| USD    | ₩ 8,413                    | (8,413)                    |
| EUR    | 959                        | (959)                      |
| JPY    | 136                        | (136)                      |
| Others | 174                        | (174)                      |
|        | ₩ 9,682                    | (9,682)                    |

## (ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity management and operating purpose. As of June 30, 2016, available-for-sale equity instruments measured at fair value amount of ₩902,960 million.

## (iii) Interest rate risk

Since the Group's interest bearing assets are mostly fixed-interest bearing assets, the Group's revenue and operating cash flows are not influenced by the changes in market interest rates. However, the Group still has interest rate risk arising from borrowings and debentures.

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk, Continued

The Group's interest rate risk arises from floating-rate borrowings and debentures. As of June 30, 2016, floating-rate borrowings and debentures amount to ₩6,516 million and ₩349,410 million respectively, and the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures (See Note 21). On the other hand, if the interest rate increases (decreases) 1% with all other variables held constant, income before income taxes over the next one year will fluctuate as much as ₩65 million due to the interest expense on floating-rate borrowings that have not entered into an interest rate swap agreement.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

|                                     | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|-------------------------------------|--------------------------|------------------------------|
| Cash and cash equivalents           | ₩ 1,099,331              | 768,794                      |
| Financial instruments               | 595,758                  | 701,713                      |
| Available-for-sale financial assets | 2,030                    | 3,430                        |
| Accounts receivable trade           | 2,228,412                | 2,390,110                    |
| Loans and receivables               | 1,761,912                | 1,102,403                    |
| Derivative financial assets         | 150,839                  | 166,399                      |
|                                     | <b>₩ 5,838,282</b>       | <b>5,132,849</b>             |



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

For the six-month period ended June 30, 2016, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can arise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal only with financial institutions with high credit ratings. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of June 30, 2016.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

(1) Financial risk management, Continued

3) Liquidity risk

Contractual maturities of financial liabilities as of June 30, 2016 are as follows:

*(In millions of won)*

|                                     | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than 5<br/>years</b> |
|-------------------------------------|----------------------------|-----------------------------------|-----------------------------|--------------------|------------------------------|
| Accounts payable - trade            | ₩ 251,106                  | 251,106                           | 251,106                     |                    |                              |
| Borrowings(*)                       | 219,134                    | 229,253                           | 118,073                     | 97,555             | 13,625                       |
| Debentures(*)                       | 7,433,482                  | 8,809,005                         | 1,089,040                   | 4,294,284          | 3,425,681                    |
| Accounts payable - other and others | 2,781,063                  | 2,804,747                         | 2,245,242                   | 558,765            | 740                          |
|                                     | ₩ 10,684,785               | 12,094,111                        | 3,703,461                   | 4,950,604          | 3,440,046                    |

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

(\*) Includes interest to be paid.

As of June 30, 2016, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

*(In millions of won)*

|             | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash<br/>flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than 5<br/>years</b> |
|-------------|----------------------------|---------------------------------------|-----------------------------|--------------------|------------------------------|
| Assets      | ₩ 140,878                  | 147,000                               | 243                         | 123,482            | 23,275                       |
| Liabilities | (86,458)                   | (88,457)                              | (12,384)                    | (76,073)           |                              |
|             | ₩ 54,420                   | 58,543                                | (12,141)                    | 47,409             | 23,275                       |



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued****(2) Capital management**

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity structure. The overall strategy of the Group is the same as that of the Group as of and for the year ended December 31, 2015.

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

Debt-equity ratios as of June 30, 2016 and December 31, 2015 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
|-----------------------------|----------------------|--------------------------|
| Total liabilities           | ₩ 13,161,897         | 13,207,291               |
| Total equity                | 15,367,493           | 15,374,096               |
| Debt-equity ratios          | 85.65%               | 85.91%                   |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

## (3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2016 are as follows:

*(In millions of won)*

|   | Carrying amount | Level 1 | Level 2   | Level 3 | Total     |
|---|-----------------|---------|-----------|---------|-----------|
| <b>Financial assets that are measured at fair value:</b>          |                 |         |           |         |           |
| Financial assets at fair value through profit or loss             | ₩ 9,961         |         | 9,961     |         | 9,961     |
| Derivative financial assets                                       | 140,878         |         | 140,878   |         | 140,878   |
| Available-for-sale financial assets                               | 902,960         | 726,568 | 47,494    | 128,898 | 902,960   |
|   | ₩ 1,053,799     | 726,568 | 198,333   | 128,898 | 1,053,799 |
| <b>Financial liabilities that are measured at fair value:</b>     |                 |         |           |         |           |
| Financial liabilities at fair value through profit or loss        | ₩ 155,527       |         | 155,527   |         | 155,527   |
| Derivative financial liabilities                                  | 86,458          |         | 86,458    |         | 86,458    |
|   | ₩ 241,985       |         | 241,985   |         | 241,985   |
| <b>Financial liabilities that are not measured at fair value:</b> |                 |         |           |         |           |
| Borrowings  | ₩ 219,134       |         | 223,083   |         | 223,083   |
| Debentures  | 7,277,955       |         | 7,920,858 |         | 7,920,858 |
|   | ₩ 7,497,089     |         | 8,143,941 |         | 8,143,941 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2015 are as follows:

*(In millions of won)*

|   | Carrying amount | Level 1 | Level 2   | Level 3 | Total     |
|---|-----------------|---------|-----------|---------|-----------|
| <b>Financial assets that are measured at fair value:</b>          |                 |         |           |         |           |
| Financial assets at fair value through profit or loss             | ₩ 6,277         |         | 6,277     |         | 6,277     |
| Derivative financial assets                                       | 160,122         |         | 160,122   |         | 160,122   |
| Available-for-sale financial assets                               | 1,076,291       | 897,958 | 47,262    | 131,071 | 1,076,291 |
|   | ₩ 1,242,690     | 897,958 | 213,661   | 131,071 | 1,242,690 |
| <b>Financial liabilities that are measured at fair value:</b>     |                 |         |           |         |           |
| Financial liabilities at fair value through profit or loss        | ₩ 155,704       |         | 155,704   |         | 155,704   |
| Derivative financial liabilities                                  | 89,296          |         | 89,296    |         | 89,296    |
|   | ₩ 245,000       |         | 245,000   |         | 245,000   |
| <b>Financial liabilities that are not measured at fair value:</b> |                 |         |           |         |           |
| Borrowings  | ₩ 415,134       |         | 416,702   |         | 416,702   |
| Debentures  | 6,952,949       |         | 7,411,909 |         | 7,411,909 |
|   | ₩ 7,368,083     |         | 7,828,611 |         | 7,828,611 |

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

Available-for-sale financial assets amounting to ~~₩~~490,395 million and ~~₩~~223,197 million as of June 30, 2016 and December 31, 2015, respectively, are measured at cost in accordance with K-IFRS 1039 since they are considered as equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) and cannot be reliably measured using other valuation methods.

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

## (3) Fair value, Continued

The Group uses various valuation methods for determination of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Group performs valuation using the inputs which are consistent with natures of assets and liabilities measured.

Interest rates used by the Group for the fair value measurement as of June 30, 2016 are as follows:

|                           | <b>Interest rate</b> |
|---------------------------|----------------------|
| Derivative instruments    | 1.66 ~ 2.99%         |
| Borrowings and debentures | 1.57 ~ 2.38%         |

- 3) There have been no transfers between Level 2 and Level 1 for the six-month period ended June 30, 2016 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2016 are as follows:

*(In millions of won)*

|                                     | <b>Balance at<br/>January 1,<br/>2016</b> | <b>Transfer</b> | <b>Other<br/>comprehensive<br/>loss</b> | <b>Disposal</b> | <b>Balance at<br/>June 30,<br/>2016</b> |
|-------------------------------------|---|-----------------|---|-----------------|---|
| Available-for-sale financial assets | ₩ 131,071                                 | 4,657           | (1,722)                                 | (5,108)         | 128,898                                 |



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**33. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2016 are as follows:

*(In millions of won)*

|                                      |  |               | Net financial instruments presented on the statement of financial position |  | Relevant financial instruments not offset | Net amount |
|--------------------------------------|--|---------------|--|--|---|------------|
|                                      | Gross financial instruments recognized | Amount offset |  |  |   |            |
| <b>Financial assets:</b>             |  |               |  |  |   |            |
| Derivatives(*)                       | ₩ 55,876                               |               | 55,876   |  | (55,876)                                  |            |
| Accounts receivable trade and others | 135,108                                | (118,716)     | 16,392   |  |   | 16,392     |
|                                      | ₩ 190,984                              | (118,716)     | 72,268   |  | (55,876)                                  | 16,392     |
| <b>Financial liabilities:</b>        |  |               |  |  |   |            |
| Derivatives(*)                       | ₩ 86,458                               |               | 86,458   |  | (55,876)                                  | 30,582     |
| Accounts payable trade and others    | 120,395                                | (118,716)     | 1,679  |  |   | 1,679      |
|                                      | ₩ 206,853                              | (118,716)     | 88,137   |  | (55,876)                                  | 32,261     |

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2015 are as follows:

*(In millions of won)*

|  |  |               | Net financial instruments presented on the statement of financial position |  | Relevant financial instruments not offset | Net amount |
|--|--|---------------|--|--|---|------------|
|  | Gross financial instruments recognized | Amount offset |  |  |   |            |

| <b>Financial assets:</b>             |   |         |           |        |          |        |
|--------------------------------------|---|---------|-----------|--------|----------|--------|
| Derivatives(*)                       | ₩ | 55,673  |           | 55,673 | (55,673) |        |
| Accounts receivable trade and others |   | 129,527 | (113,003) | 16,524 |          | 16,524 |
|                                      | ₩ | 185,200 | (113,003) | 72,197 | (55,673) | 16,524 |
| <b>Financial liabilities:</b>        |   |         |           |        |          |        |
| Derivatives(*)                       | ₩ | 89,734  |           | 89,734 | (55,673) | 34,061 |
| Accounts payable other and others    |   | 113,003 | (113,003) |        |          |        |
|                                      | ₩ | 202,737 | (113,003) | 89,734 | (55,673) | 34,061 |

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**34. Transactions with Related Parties**

## (1) List of related parties

| <b>Relationship</b>         | <b>Company</b>  |
|-----------------------------|---|
| Ultimate Controlling Entity | SK Holdings Co., Ltd.   |
| Joint ventures              | Dogus Planet, Inc. and three other companies                              |
| Associates                  | SK hynix Inc. and 50 other companies                                      |
| Affiliates                  | The Ultimate Controlling Entity's other subsidiaries and associates, etc. |

## (2) Compensation for the key management members

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management members. The compensation given to such key management members for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>    | <b>2016</b>   |   | <b>2015</b>   |   |
|--------------------------------|---|---|---|---|
|                                | <b>Three-month<br/>period<br/>ended<br/>June 30</b> | <b>Six-month<br/>period ended<br/>June 30</b> | <b>Three-month<br/>period<br/>ended<br/>June 30</b> | <b>Six-month<br/>period ended<br/>June 30</b> |
| Salaries                       | ₩ 221   | 1,201   | 203   | 1,560   |
| Defined benefits plan expenses | 47  | 328   | 421   | 542   |
|                                | <b>₩ 268</b>  | <b>1,529</b>                                  | <b>624</b>  | <b>2,102</b>                                  |

Compensation for the key management members includes salaries, non-monetary salaries and contributions made in relation to pension plans.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**34. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the six-month periods ended June 30, 2016 and 2015 are as follows:

| Type of relationship<br>(millions of won) |                                    | For the six-month period ended June 30, 2016 |                                |                                  |                                |                                       |                                |                                  |                                |                                  |                                |
|---|------------------------------------|--|--------------------------------|----------------------------------|--------------------------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|   |                                    | Operating revenue and others                 |                                | Operating expense and others     |                                | Acquisition of property and equipment |                                | Loans                            |                                | Collection of loans              |                                |
|   |                                    | Three-month period ended June 30             | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30      | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Immediate controlling company             | SK Holdings Co., Ltd.(*1)          | ₩ 5,455                                      | 11,003                         | 140,142                          | 448,119                        | 38,889                                | 49,586                         |                                  |                                |                                  |                                |
| Associates                                | F&U Credit information Co., Ltd.   | 546  | 1,070                          | 9,894                            | 23,337                         |                                       |                                |                                  |                                |                                  |                                |
|   | HappyNarae Co., Ltd.               | 79   | 152                            | 3,481                            | 5,721                          | 3,745                                 | 4,309                          |                                  |                                |                                  |                                |
|   | SK hynix Inc.(*2)                  | 9,435  | 85,304                         | 281                              | 290                            |                                       |                                |                                  |                                |                                  |                                |
|   | SK Wyverns Baseball Club Co., Ltd. | 303  | 620                            | 596                              | 14,969                         |                                       |                                |                                  |                                |                                  |                                |
|   | KEB HanaCard Co., Ltd.             | 4,994  | 9,999                          | 4,530                            | 7,479                          |                                       |                                |                                  |                                |                                  |                                |
|   | Others(*3)                         | 6,082  | 6,082                          | 861                              | 2,715                          | 43                                    | 43                             | 1,100                            | 1,100                          | 1,700                            | 1,700                          |
|   |                                    | 21,439                                       | 103,227                        | 19,643                           | 54,511                         | 3,788                                 | 4,352                          | 1,100                            | 1,100                          | 1,700                            | 1,700                          |
| Other                                     | SK Engineering &                   | 1,972  | 3,030                          | 963                              | 1,162                          | 645                                   | 645                            |                                  |                                |                                  |                                |

|                               |          |         |         |           |         |         |       |       |       |       |       |
|-------------------------------|----------|---------|---------|-----------|---------|---------|-------|-------|-------|-------|-------|
| Construction Co., Ltd.        |          |         |         |           |         |         |       |       |       |       |       |
| SK Networks Co., Ltd.         | 2,676    | 5,187   | 259,401 | 533,495   |         | 16      |       |       |       |       |       |
| SK Networks service Co., Ltd. | 504      | 786     | 22,322  | 44,830    | 544     | 609     |       |       |       |       |       |
| SK Telesys Co., Ltd.          | 67       | 133     | 9,019   | 18,356    | 28,208  | 54,593  |       |       |       |       |       |
| SK TNS Co., Ltd               | 25       | 47      | 12,796  | 17,385    | 76,765  | 91,341  |       |       |       |       |       |
| SK Energy Co., Ltd.           | 1,511    | 2,748   | 302     | 455       |         |         |       |       |       |       |       |
| SK Gas Co., Ltd.              | 492      | 941     | 1       | 2         |         |         |       |       |       |       |       |
| Others                        | 8,969    | 17,061  | 7,843   | 26,594    | 5,134   | 6,288   |       |       |       |       |       |
|                               | 16,216   | 29,933  | 312,647 | 642,279   | 111,296 | 153,492 |       |       |       |       |       |
| al                            | ₩ 43,110 | 144,163 | 472,432 | 1,144,909 | 153,973 | 207,430 | 1,100 | 1,100 | 1,700 | 1,700 | 1,700 |

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

(\*2) Operating revenue and others include ₩73,050 million of dividends paid by the associates which was deducted from the investment in associates.

(\*3) Operating revenue and others include ₩6,082 million of dividends received from the Korea IT Fund.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**34. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the six-month periods ended June 30, 2016 and 2015 are as follows,  
Continued:

*(In millions of won)*

| Scope                       | Company  | For the six-month period ended June 30, 2015 |                                |                                  |                                |                                       |                                |                                  |                                |
|-----------------------------|--|--|--------------------------------|----------------------------------|--------------------------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                             |  | Operating revenue and others                 |                                | Operating expense and others     |                                | Acquisition of property and equipment |                                | Loans                            |                                |
|                             |  | Three-month period ended June 30             | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30      | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*1, 4)                   | ₩ 1,090                                      | 1,244                          | 9,240                            | 189,121                        |                                       |                                |                                  |                                |
| Associates                  | F&U Credit information Co., Ltd.               | 662  | 1,331                          | 10,127                           | 22,366                         |                                       |                                |                                  |                                |
|                             | HappyNarae Co., Ltd.                           | 68   | 139                            | 2,001                            | 2,959                          | 2,481                                 | 2,869                          |                                  |                                |
|                             | SK hynix Inc.(*2)                              | 2,627  | 50,178                         | 2,194                            | 2,199                          |                                       |                                |                                  |                                |
|                             | SK Wyverns Baseball Club Co., Ltd.             | 1,278  | 3,130                          | 1,606                            | 11,435                         |                                       |                                |                                  |                                |
|                             | KEB HanaCard Co., Ltd.                         | 5,418  | 10,850                         | 2,496                            | 8,223                          |                                       |                                |                                  |                                |
|                             | Xian Tianlong Science and Technology Co., Ltd. |  |                                |                                  |                                |                                       |                                | 121                              | 7,153                          |
|                             | Others(*3)                                     | 3,663  | 5,056                          | 4,995                            | 9,512                          | 11                                    | 1,141                          |                                  | 500                            |

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|   | 13,716   | 70,684  | 23,419  | 56,694    | 2,492   | 4,010   | 121 | 7,653 |
|---|----------|---------|---------|-----------|---------|---------|-----|-------|
| Other                                   |          |         |         |           |         |         |     |       |
| SK Engineering & Construction Co., Ltd. | 1,177    | 4,759   | 11,077  | 13,057    | 73,059  | 125,394 |     |       |
| SK C&C Co., Ltd.(*4)                    | 3,438    | 7,379   | 79,359  | 160,928   | 49,150  | 90,384  |     |       |
| SK Networks Co., Ltd.                   | 4,318    | 6,023   | 255,918 | 620,717   |         |         |     |       |
| SK Networks service Co., Ltd.           | 2,483    | 4,830   | 24,893  | 37,774    | 522     | 526     |     |       |
| SK Telesys Co., Ltd.                    | 110      | 212     | 9,659   | 21,101    | 12,342  | 73,359  |     |       |
| SK Energy Co., Ltd.                     | 1,877    | 3,015   | 227     | 443       |         |         |     |       |
| SK Gas Co., Ltd.                        | 813      | 1,885   |         |           |         |         |     |       |
| Others                                  | 6,628    | 13,094  | 10,180  | 19,660    | 4,214   | 4,563   |     |       |
|   | 20,844   | 41,197  | 391,313 | 873,680   | 139,287 | 294,226 |     |       |
| Total                                   | ₩ 35,650 | 113,125 | 423,972 | 1,119,495 | 141,779 | 298,236 | 121 | 7,653 |

(\*1) Operating expense and others include ₩171,053 million of dividends paid by the Parent Company.

(\*2) Operating revenue and others include ₩43,830 million of dividends paid by SK hynix Inc. which was deducted from the investment in associates.

(\*3) Operating revenue and others include ₩2,103 million and ₩227 million of dividends paid by Korea IT Fund and UniSK, respectively, which were deducted from the investment in associates.

(\*4) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK, Holdings Co., Ltd.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**34. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2016 and December 31, 2015 are as follows:

*(In millions of won)*

| Scope                       | Company  | Loans  | June 30, 2016       | Accounts payable |
|-----------------------------|--|--------|---------------------|------------------|
|                             |  |        | Accounts receivable | Accounts payable |
|                             |  |        | receivable- trade   | trade            |
|                             |  |        | and others          | and others       |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.                          | ₩      | 3,531               | 85,503           |
| Associates                  | HappyNarae Co., Ltd.                           |        | 17                  | 2,871            |
|                             | F&U Credit information Co., Ltd.               |        | 8                   | 1,092            |
|                             | SK hynix Inc.                                  |        | 15,252              | 204              |
|                             | SK Wyverns Baseball Club Co., Ltd.             | 1,017  | 43                  | 21               |
|                             | Wave City Development Co., Ltd.                | 1,290  | 38,412              |                  |
|                             | Daehan Kanggun BcN Co., Ltd.                   | 22,147 | 7,791               |                  |
|                             | KEB HanaCard Co., Ltd.                         |        | 1,639               | 2,592            |
|                             | Xian Tianlong Science and Technology Co., Ltd. | 8,287  |                     |                  |
|                             | Others   |        | 292                 | 802              |
|                             |  |        | 32,741              | 7,582            |
| Other                       | SK Engineering & Construction Co., Ltd.        |        | 2,093               | 208              |
|                             | SK Networks. Co., Ltd.                         |        | 1,171               | 123,963          |
|                             | SK Networks Services Co., Ltd.                 |        | 2                   | 4,202            |
|                             | SK Telesys Co., Ltd.                           |        | 22                  | 19,498           |
|                             | SK TNS Co., Ltd.                               |        |                     | 17,516           |
|                             | SK innovation co., ltd.                        |        | 1,615               | 552              |
|                             | SK Energy Co., Ltd.                            |        | 585                 | 692              |
|                             | SK Gas Co., Ltd.                               |        | 1,432               | 9                |
|                             | Others   |        | 2,751               | 15,714           |
|                             |  |        | 9,671               | 182,354          |



₩ 32,741

76,656

275,439

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**34. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2016 and December 31, 2015 are as follows, Continued:

*(In millions of won)*

| Scope                       | Company  | Loans  | December 31, 2015   |  |
|-----------------------------|--|--------|---|--|
|                             |  |        | Accounts receivable<br>Accounts<br>receivable-trade<br>and others | Accounts payable<br>Accounts<br>payable<br>other<br>and others |
| Ultimate Controlling Entity | SK Holdings Co., Ltd. (formerly, SK C&C Co., Ltd.) (*) | ₩      | 1,836   | 160,133  |
| Associates                  | HappyNarae Co., Ltd.                                   |        | 12  | 6,162  |
|                             | F&U Credit information Co., Ltd.                       |        | 66  | 934  |
|                             | SK hynix Inc.  |        | 4,360   | 155  |
|                             | SK Wyverns Baseball Club Co., Ltd.                     | 1,017  | 4,502   |  |
|                             | Wave City Development Co., Ltd.                        | 1,890  | 38,412  |  |
|                             | Daehan Kanggun BcN Co., Ltd.                           | 22,147 |   |  |
|                             | KEB HanaCard Co., Ltd.                                 |        | 1,771   | 9,042  |
|                             | Xian Tianlong Science and Technology Co., Ltd.         | 8,287  |   |  |
|                             | Others   |        | 299   | 964  |
|                             |  |        | 33,341  | 49,422   |
| Other                       | SK Engineering & Construction Co., Ltd.                |        | 1,005   | 14,877   |
|                             | SK Networks. Co., Ltd.                                 |        | 1,569   | 208,291  |
|                             | SK Networks Services Co., Ltd.                         |        |   | 9,414  |
|                             | SK Telesys Co., Ltd.                                   |        | 140   | 37,491   |
|                             | SK TNS Co., Ltd.                                       |        |   | 43,585   |
|                             | SK innovation co., ltd.                                |        | 2,159   | 1,424  |
|                             | SK Energy Co., Ltd.                                    |        | 1,681   | 173  |
|                             | SK Gas Co., Ltd.                                       |        | 1,830   | 9  |
| Others                      |  | 2,886  | 14,503  |  |
|                             |  |        | 11,270  | 329,767  |

₩ 33,341                      62,528                      507,157

- (\*) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK Holdings Co., Ltd.
- (5) M&Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provided a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (6) There were additional investments in associates and joint ventures during the six-month period ended June 30, 2016 as presented in Note 11.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**35. Commitments and Contingencies**

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of ₩7,437 million as of June 30, 2016.

SK Broadband Co., Ltd. has guaranteed for employees' borrowings relating to employee stock ownership program and provided short-term financial instruments amounting to ₩1,075 million as collateral as of June 30, 2016.

(2) Contingencies

As of June 30, 2016 the Group is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. For those legal claims and litigation for which no provision was recognized, management does not believe the Group has a present obligation for these matters, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

(3) Accounts receivables from the sale of handsets

The agents of the Parent Company sell handsets to our subscribers on an installment basis. During the six-month period ended June 30, 2016, the Parent Company entered into comprehensive agreement to purchase the accounts receivables from the handset sales with agents and to transfer the accounts receivables from the handset sales to a Special Purpose Company, respectively.

The accounts receivables from the sale of handsets amounting to ₩460,802 million as of June 30, 2016, which the Parent Company purchased according to relevant comprehensive agreement are recognized as accounts receivable - other.

(4) Frequency usage rights

During the six-month period ended June 30, 2016, the Parent Company secured bandwidth blocs in the 2.6 GHz band for ₩1,330,100 million at the spectrum auction held by the Ministry of Science, ICT and Future Planning (MSIP) of Korea. The consideration will be paid on an annual installment basis for 10 years from August 2016 with the Parent Company acquiring ownership of the frequency usage rights on the first payment of installments.



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

**36. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | <b>For the six-month period ended</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Interest income   | ₩ (24,395)                            | (25,181)             |
| Dividends   | (14,842)                              | (13,339)             |
| Gain on foreign currency translation  | (1,036)                               | (4,024)              |
| Gain on disposal of long-term investments assets                                | (316,902)                             | (6,252)              |
| Gain on valuation of derivatives  | (3,684)                               | (1,030)              |
| Gain on disposal of accounts receivable - trade                                 | (7,855)                               |                      |
| Gain related to investments in subsidiaries, associates and joint ventures, net | (116,808)                             | (452,323)            |
| Gain on disposal of property, equipment and intangible assets                   | (2,248)                               | (2,765)              |
| Gain on relating to financial liabilities at fair value through profit or loss  | (177)                                 | (5,188)              |
| Other income  | (596)                                 | (131)                |
| Interest expense  | 142,409                               | 150,222              |
| Loss on foreign currency translation  | 1,684                                 | 3,132                |
| Loss on disposal of long-term investments securities                            | 134                                   | 1,651                |
| Other finance costs   |                                       | 3,151                |
| Loss on settlement of derivatives   | 319                                   | 4,517                |
| Income tax expense  | 237,586                               | 234,970              |
| Provision for retirement benefits   | 58,390                                | 53,514               |
| Depreciation and amortization   | 1,501,554                             | 1,468,160            |
| Bad debt expense  | 22,643                                | 34,995               |
| Loss on disposal of property and equipment and intangible assets                | 18,199                                | 3,290                |
| Loss on impairment of property and equipment and intangible assets              | 797                                   | 1,976                |
| Loss relating to financial liabilities at fair value through profit or loss     |                                       | 174                  |
| Bad debt for accounts receivable - other  | 3,409                                 | 4,074                |
| Loss on impairment of investment assets   | 11,868                                | 18,668               |

|                |             |           |
|----------------|-------------|-----------|
| Other expenses | 14,798      | 7,031     |
|                | ₩ 1,525,247 | 1,479,292 |

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2016 and 2015

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

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2016 and 2015 are as follows:

| <i>(In millions of won)</i>   | <b>For the six-month period ended</b> |                      |
|-------------------------------|---------------------------------------|----------------------|
|                               | <b>June 30, 2016</b>                  | <b>June 30, 2015</b> |
| Accounts receivable - trade   | ₩ 134,035                             | (79,987)             |
| Accounts receivable - other   | (600,541)                             | (42,198)             |
| Accrued income                | 444                                   |                      |
| Advance payments              | 8,321                                 | (34,860)             |
| Prepaid expenses              | (9,141)                               | (14,154)             |
| Value-Added Tax refundable    | (192)                                 | 27                   |
| Inventories                   | 322                                   | (16,676)             |
| Long-term receivables - other | (45,498)                              |                      |
| Guarantee deposits            | 3,813                                 | (12,118)             |
| Accounts payable - trade      | (46,359)                              | 36,889               |
| Accounts payable - other      | 89,897                                | (132,104)            |
| Advanced receipts             | 11,066                                | (3,289)              |
| Withholdings                  | 84,678                                | (178,717)            |
| Deposits received             | (2,561)                               | (7,475)              |
| Accrued expenses              | 99,147                                | (162,490)            |
| Value-Added Tax payable       | 6,736                                 | 13,419               |
| Unearned revenue              | (18,580)                              | (71,067)             |
| Provisions                    | 488                                   | (29,665)             |
| Long-term provisions          | (20)                                  | (9,137)              |
| Plan assets                   | (2,384)                               | 1,301                |
| Retirement benefit payment    | (20,553)                              | (33,513)             |
| Others                        | 429                                   | (11,128)             |
|                               | <b>₩ (306,453)</b>                    | <b>(786,942)</b>     |

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2016 and 2015 are as follows:

*(In millions of won)*

**For the six-month period ended**



|   | June 30, 2016 | June 30, 2015 |
|---|---------------|---------------|
| Decrease of accounts payable - other related to acquisition of property and equipment and intangible assets | ₩ 258,031     | 184,377       |

**37. Interim dividends**

On July 28, 2016, the Board of Directors of the Parent Company resolved to pay interim cash dividends of ₩1,000 per share totaling ₩70,609 million (market dividend rate: 0.48%). The ex-dividend date was June 30, 2016 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.