

SK TELECOM CO LTD
Form 6-K
September 19, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF SEPTEMBER 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):
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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:

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2015 (millions of Won)	Material Subsidiary*
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 manufacturing	
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	23
SK Planet Japan, K.K.	Mar. 14, 2012	Digital contents sourcing services	5,068
groovers Japan Co. Ltd.	Feb. 25, 2015	Contents and information 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 services	1,570
SKP Global Holdings PTE, LTD.	Aug. 10, 2012	Investment (holding company)	28,320

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Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2015 (millions of Won)	Material Subsidiary*
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.

Change	Name	Remarks
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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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.

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In the location-based services business area, the Company provides real time traffic information and various local information through its T-Map Navigation service. In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, Onestore.

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.

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(1) Corporate bonds

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

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
October 26, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd. Korea Ratings	Current rating
October 26, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 26, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
February 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
May 19, 2016	Corporate bond	AAA	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating

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

(2) Commercial paper (CP)

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
April 11, 2013	CP	A1	Korea Ratings	Current rating
April 11, 2013	CP	A1	Korea Investors Service, Inc.	Current rating
April 11, 2013	CP	A1	NICE Investors Service Co., Ltd.	Current rating

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

Date of credit rating	Subject of rating	Credit rating of securities	Credit rating company	Rating type
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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.)

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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.

Description	Detail
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

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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 (As of September 30, 2011) SK Telecom Co., Ltd.	After the spin-off (As of October 1, 2011) 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.

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(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

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

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

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

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

Date of the Share Exchange: June 9, 2015

(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.

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(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

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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.

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[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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[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		
I. Total number of authorized shares	220,000,000		220,000,000	
II. Total number of shares issued to date	89,278,946		89,278,946	
III. Total number of shares retired to date	8,533,235		8,533,235	

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

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of June 30, 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					
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	

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

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5. Dividends and Others

A. Dividends

- (1) Distribution of cash dividends was approved during the 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)

Classification

As of and for the 6 months As of and for the 9 months As of and for the year ended

	ended June 30, 2016	year ended December 31, 2015	year ended December 31, 2014
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 income (%)	0.8	46.6	37
Cash dividend yield ratio (%)	Common share	0.5	4.6
	Preferred share		3.5
Stock dividend yield ratio (%)	Common share		
	Preferred share		
Cash dividend per share (Won)	Common share	1,000	10,000
	Preferred share		9,400
Stock dividend per share (share)	Common share		
	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.

Classification	Company name	Description of business
Wireless	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	Network O&S Co., Ltd.	Maintenance of switching stations
Fixed-line	SK Broadband Co., Ltd.	High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents
		Various media-related services, such as channel management, including video on demand, and mobile IPTV services
Other business	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, 2016	As of December 31, 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
	Total	60,109	58,936	57,177	54,680

* 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, 2016	As of December 31, 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.

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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 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.

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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.

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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 11th 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.

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(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. The Company 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)

Business	Major Companies	Item	Major Trademarks	Consolidated Sales Amount (ratio)
Wireless	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.			
Fixed-line	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.			
Other	SK Planet Co., Ltd.,			666,643 (7%)

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

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

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

Business	Classification	Investment period	Subject of investment	Investment effect	(Unit: in 100 millions of Won)	
					Expected investment amount	Amount already invested
Network/Common	Upgrade/ 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
Total		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.

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(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Amount already invested	Future investment
High-speed Internet	Upgrade/ New installation	Six months ended June 30, 2016	Backbone and subscriber network / others	Expand subscriber networks and facilities	1,091	To be determined
Telephone					1	
Television				571		
Corporate						
Data				328		
Others			Expand networks and required space	406		
Total					2,397	

4. Revenues

(Unit: in millions of Won)

Business	Sales type	Item		For the six	For the year	For the year
				months ended	ended December 31,	ended December 31,
				June 30,	2015	2014
				2016		
Wireless	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
Fixed-line	Services	Fixed-line, B2B data, 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
Other	Services	Display and Search ad., 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
Total			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
Total sales	7,292,918	1,629,570	928,512	9,851,000	(1,355,248)	8,495,752
Internal sales	793,473	299,906	261,869	1,355,248	(1,355,248)	
External sales	6,499,445	1,329,664	666,643	8,495,752		8,495,752
Operating income (loss)	920,427	64,388	(175,324)	809,491		809,491
Profit (loss) for the period						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

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 Jul. 20, 2027

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Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
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 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 May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$69,056)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 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)

Hedged item	Fair value			Trading purposes	Total
	Cash flow hedge	Foreign currency	Others^(*1)		
	Accumulated gain	effect			

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

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

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[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
Assets			
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
Total Assets	28,529,390	28,581,387	27,941,233
Liabilities			
Current Liabilities	5,219,997	5,256,493	5,420,310
Non-Current Liabilities	7,941,900	7,950,798	7,272,653
Total Liabilities	13,161,897	13,207,291	12,692,963
Equity			
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)

	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
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 to Owners of the Parent Company	861,982	840,334	1,518,604	1,801,178
Profit for the Period Attributable 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 (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
Assets			
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
Liabilities			
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
Equity			
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)

	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014
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 (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

	Gross amount	Accounts	Percentage
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%
Total	4,346,956	356,632	8%

(Unit: in millions of Won)

For the year ended December 31, 2015

Allowance for

	Gross amount	Doubtful Accounts	Percentage
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%
Total	3,836,529	344,016	9%

(Unit: in millions of Won)

For the year ended December 31, 2014

Allowance for

	Gross amount	Doubtful Accounts	Percentage
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%
Total	3,912,383	328,191	8%

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

(Unit: in millions of Won)

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

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(3) Policies for Allowance for Doubtful Accounts

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

(4) Aging of Accounts Receivable

(Unit: in millions of Won)

		As of June 30, 2016				
		Six months or less	From six months to one year	From one year to three years	More than three years	Total
Accounts receivable	general	2,119,980	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 June 30, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Merchandise	242,792	242,230	246,738
Goods in transit			
Other inventories	28,079	31,326	20,929
Total	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

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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	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

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

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Maintenance of Financial Ratio	Key Term Compliance Status	Debt ratio no greater than 300% Compliant
Restriction on Liens	Key Term Compliance Status	The total amount of secured debt not to exceed 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

		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 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

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

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

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Six months ended June 30, 2016 KPMG Samjong Accounting Corp.	Year ended December 31, 2015 KPMG Samjong Accounting Corp.	Year ended December 31, 2014 KPMG Samjong Accounting Corp.
--	--	--

2. Audit Opinion (Consolidated)

Period	Auditor s opinion	Issues noted
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)

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

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(Unit: in millions of Won)

Period	Contract date	Service provided	duration	Service	Fee
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.

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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**

	Inside directors	Independent directors
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

Meeting	Date	Agenda	Approval
		- Approval of the spin-off and merger of SK Planet's location-based services business and other businesses	Approved as proposed
384th (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 (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 (the 4th meeting of 2016)	March 2, 2016	- Approval of the spin-off and merger contract with SK Planet	Approved as proposed
388th (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 (the 6th meeting of 2016)	April 5, 2016	- Notice relating to the spin-off and merger transactions with SK Planet	Approved as proposed

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Meeting	Date	Agenda	Approval
390th (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 (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 (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.

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(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.

Articles of Incorporation	Description
Article 32(3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12 th Supplement to the Articles of Incorporation (Interim Regulation)	Article 32(3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.
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 Number of shares	Ownership ratio	End of Period Number of shares	Ownership ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
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)

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

* 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		June 2016	May 2016	April 2016	March	February 2016	January 2016
					2016		
Depository receipt	Highest	21.08	20.83	20.48	20.98	20.82	19.99
	Lowest	19.60	19.47	19.27	19.60	18.78	17.89
	Average	20.29	20.01	19.74	20.26	19.64	18.92
Daily transaction volume	Highest	1,161,177	1,940,353	1,655,112	1,080,598	1,194,211	1,279,531
	Lowest	259,773	307,678	391,518	275,174	341,417	368,941
Monthly transaction volume		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
Total		4,195	206	4,401	11.9	287,399	67

* 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
Total	6	1,529	

3. Individual Compensation of Directors

A. Amount Paid

(As of December 31, 2015)

(Unit: in millions of Won)

Name	Title	Aggregate Amount Paid
Dong Hyun Jang	Inside director	1,045

* Excluding amounts contributed to provision for retirement income.

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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
	Affiliate	Purchases	June 30, 2016	commissions, etc.	762,585
SK Broadband		Sales/	January 1, 2016 to	Interconnection	
	Affiliate	Purchases	June 30, 2016	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**

Date	Resolution	Description	Status
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

Date	Agenda	Resolution
	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 (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)

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

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.

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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.

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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.

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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.

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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.

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SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Sung Hyung Lee
(Signature)

Name: Sung Hyung Lee
Title: Senior Vice President

Date: September 19, 2016

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SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2016 and 2015

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of June 30, 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*.

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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.

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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>	June 30, 2016	December 31, 2015
Assets:			
Current Assets:			
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
Total Current Assets		3,559,993	2,713,529
Non-Current Assets:			
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
Total Non-Current Assets		19,621,845	20,433,411
Total Assets		₩ 23,181,838	23,146,940

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of June 30, 2016 and December 31, 2015

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2016	December 31, 2015
Liabilities and Shareholders Equity:			
Current Liabilities:			
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
Total Current Liabilities		3,370,769	3,491,306
Non-Current Liabilities:			
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
Total Non-Current Liabilities		6,008,250	5,876,174
Total Liabilities		9,379,019	9,367,480
Shareholders Equity:			
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)

Total Shareholders Equity	13,802,819	13,779,460
Total Liabilities and Shareholders Equity	₩ 23,181,838	23,146,940

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 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
Operating revenue:	28				
Revenue		₩ 3,091,988	6,190,249	3,143,766	6,277,222
Operating expenses:	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
Operating income		478,205	908,056	396,090	803,916
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)		
Profit before income tax		380,456	846,130	319,381	698,142
Income tax expense	24	96,313	179,780	87,384	170,359
Profit for the period		₩ 284,143	666,350	231,997	527,783
Earnings per share:	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.

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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 period ended	Six-month period ended	Three-month period ended	Six-month period ended
Profit for the period		₩ 284,143	666,350	231,997	527,783
Other comprehensive income (loss)					
Items that will never be reclassified to profit or loss, net of taxes:					
Remeasurement of defined benefit liabilities	14	(2,188)	(9,085)	(410)	(2,453)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:					
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)
Other comprehensive loss for the period, net of taxes		(29,773)	(1,124)	(53,732)	(71,424)
Total comprehensive income		₩ 254,370	665,226	178,265	456,359

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

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

(in millions of won)

	Share capital	Paid-in surplus	Treasury stock	Capital surplus and others 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 equity								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 equity			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)	13,806,301
Balance at January 1,	₩ 44,639	2,915,887	(2,260,626)		398,518	(684,333)	369,446	13,418,603	(53,228)	13,779,437
Comprehensive income:										

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)	13,802,509

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

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

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2016	June 30, 2015
Cash flows from operating activities:			
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)
Net cash provided by operating activities		1,659,238	1,151,412
Cash flows from investing activities:			
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)
Net cash used in investing activities		₩ (781,155)	(1,061,850)

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

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

<i>(In millions of won)</i>	June 30, 2016	June 30, 2015
Cash flows from financing activities:		
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)
Net cash used in financing activities	(663,553)	(182,262)
Net increase (decrease) in cash and cash equivalents	214,530	(92,700)
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
Cash and cash equivalents at end of the period	₩ 646,221	155,687

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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 shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional 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.

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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.

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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)

	June 30, 2016	December 31, 2015
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)

	Gross amount	June 30, 2016 Allowances for doubtful accounts	Carrying amount
Current assets:			
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
Non-current assets:			
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)

	December 31, 2015		
	Gross	Allowances	Carrying
	amount	for	amount
		doubtful	
		accounts	
Current assets:			
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
Non-current assets:			
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

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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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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
Balance at June 30	₩ 207,237	205,240

- (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>	June 30, 2016		December 31, 2015	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
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)
	₩ 1,520,723	1,014,566	1,528,751	521,723

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)

	June 30, 2016	December 31, 2015
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

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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)

	June 30, 2016	December 31, 2015
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)

	June 30, 2016	December 31, 2015
Equity securities:		
Marketable equity securities	₩ 600,197	579,282
Unlisted equity securities	79,271	72,461
Equity investments	68,177	65,659
	747,645	717,402
Debt securities:		
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)

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

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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)

		June 30, 2016		December 31, 2015
	Number of shares	Ownership percentage	Carrying amount	Carrying amount
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	
			₩ 4,413,248	4,469,997

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 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.

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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)

		June 30, 2016		December 31, 2015
	Number of shares	Ownership percentage	Carrying amount	Carrying amount
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. and others			74,706	69,281
			₩ 4,345,976	4,340,551

(*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 value per share (In won)	Number of shares	Market price	Market value per share (In won)	Number of shares	Market 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

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SK TELECOM CO., LTD.

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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 balance
	Beginning 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 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 balance
	Beginning 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

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

(In millions of won)

	June 30, 2016	December 31, 2015
Goodwill related to acquisition of Shinsegi Telecom, Inc.	₩ 1,306,236	1,306,236

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SK TELECOM CO., LTD.

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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 balance
	Beginning 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 balance
	Beginning 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

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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 of amortization	Completion of 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			

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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)

Lender	Annual interest rate (%)	Maturity	December 31, 2015
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)

Lender	Annual interest rate (%)	Maturity	June 30, 2016	December 31, 2015
Export Kreditnamnden(*)	1.70	Apr. 29, 2022	₩ 80,430 (USD 69,056)	87,685 (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.

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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

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SK TELECOM CO., LTD.

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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)

	Purpose	Maturity	Annual interest rate (%)	June 30, 2016	December 31, 2015
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 + 0.88	349,410	351,600
				(USD 300,000)	(USD 300,000)
Sub-total				5,973,177	5,638,051
Less discounts on bonds				(24,086)	(24,926)
				5,949,091	5,613,125
Less current installments of bonds				(666,154)	(579,630)
				₩ 5,282,937	5,033,495

(*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.

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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)

	Period of repayment	Coupon rate	Annual effective interest rate(*)	June 30, 2016	December 31, 2015
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)

	Amount
Less than 1 year	₩ 117,834
1~3 years	235,669
3~5 years	235,669

₩ 589,172

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SK TELECOM CO., LTD.

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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>	For the six-month period ended June 30, 2016				As of June 30, 2016		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for installment of handset subsidy	₩ 5,670		(1,019)		4,651	1,213	3,438
Provision for restoration	50,459	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>	For the six-month period ended June 30, 2015				As of June 30, 2015		
	Beginning balance	Increase	Utilization	Reversal	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	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>	June 30, 2016	December 31, 2015
Present value of defined benefit obligations	₩ 239,797	212,139

Fair value of plan assets	(216,009)	(208,133)
	₩ 23,788	4,006

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SK TELECOM CO., LTD.

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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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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.

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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)

Borrowing date	Hedging Instrument (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 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

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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 (*)		
Non-current assets:						
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
Total assets					₩	124,626
Current liability:						
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 (Australia dollar denominated bonds with 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.

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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)

	June 30, 2016	December 31, 2015
Number of authorized shares	220,000,000	220,000,000
Number of issued shares(*)	80,745,711	80,745,711
Share capital:		
Common stock	₩ 44,639	44,639
Capital surplus and others:		
Paid-in surplus	2,915,887	2,915,887
Treasury 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:

	June 30, 2016			June 30, 2015		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
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)

	June 30, 2016	December 31, 2015
Number of shares	10,136,551	10,136,551
Amount	₩ 2,260,626	2,260,626

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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

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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)

	June 30, 2016	December 31, 2015
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>	For the six-month period ended June 30, 2016		
	Unrealized fair value of available-for-sale financial assets	Unrealized fair value of derivatives	Total
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>	For the six-month period ended June 30, 2015		
	Unrealized fair value of	Unrealized fair value of	Total
	of	of	

	available-for-sale financial assets	derivatives	
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)

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Operating Expenses:				
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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Non-operating Income:				
Gain on disposal of property and equipment and intangible assets	₩ 435	870	866	937
Others	7,994	36,458	2,871	6,032

	₩ 8,429	37,328	3,737	6,969
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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

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Income:				
Interest income	₩ 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
Finance Costs:				
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

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SK TELECOM CO., LTD.

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and 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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expenses on borrowings	₩ 1,767	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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Accounts receivable - trade	₩ 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

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SK TELECOM CO., LTD.

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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 period ended	Six-month period ended	Three-month period ended	Six-month 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 shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period 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
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(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.

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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)

	June 30, 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
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)

	December 31, 2015				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
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

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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)

	June 30, 2016	December 31, 2015
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)

	June 30, 2016			
	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	₩		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

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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)

	June 30, 2016	December 31, 2015
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
	₩ 2,102,486	2,171,141

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.

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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)

	If increased by 10%	If decreased by 10%
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.

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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)

	June 30, 2016	December 31, 2015
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.

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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)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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.

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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)

	June 30, 2016	December 31, 2015
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)

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
Financial assets at fair value through profit or loss	₩ 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
Financial liabilities that are measured at fair value:					
	₩ 155,527		155,527		155,527

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

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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 amount	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value:					
Financial assets at fair value through profit or loss	₩ 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
Financial liabilities that are measured at fair value:					
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
Financial liabilities that are not measured at fair value:					
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.

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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:

	Interest rate
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)

	Balance at January 1, 2016	Loss for the period	Other comprehensive loss	Disposal	Balance at June 30, 2016
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

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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)

	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
Derivatives(*)	₩ 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
Financial liabilities:					
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)

	Gross financial instruments recognized	Amount offset	Net financial instruments presented on the statement of financial position	Relevant financial instruments not offset	Net amount
--	---	----------------------	---	--	-------------------

Financial assets:						
Derivatives(*)	₩	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
Financial liabilities:						
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

Relationship	Company
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.

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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:

Company	Ownership percentage (%)	Types of business
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.

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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 ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended 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.

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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 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

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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.

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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
500							
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
Total		₩ 103,543	228,352	697,556	1,609,534	107,891	204,153
							500

(*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.

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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 and others	Accounts payable trade and others
Ultimate Controlling 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.

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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
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	6,135	67,834
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₩ 25,054	81,326	410,682
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(*) 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.

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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>	Lease payments	Revenue
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

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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>	For the six-month period ended	
	June 30,	June 30, 2015
	2016	
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

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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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
	₩ 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.

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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.

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SK TELECOM CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2016 and 2015

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of June 30, 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*.

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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.

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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>	June 30, 2016	December 31, 2015
Assets:			
Current Assets:			
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	
Total Current Assets		6,118,565	5,160,242
Non-Current Assets:			
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
Total Non-Current Assets		22,410,825	23,421,145
Total Assets		₩ 28,529,390	28,581,387

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2016 and December 31, 2015

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2016	December 31, 2015
Liabilities and Shareholders Equity:			
Current Liabilities:			
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
Total Current Liabilities		5,219,997	5,256,493
Non-Current Liabilities:			
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
Total Non-Current Liabilities		7,941,900	7,950,798
Total Liabilities		13,161,897	13,207,291
Shareholders Equity			
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
Equity attributable to owners of the Parent Company		15,218,121	15,251,079
Non-controlling interests		149,372	123,017
Total Shareholders Equity		15,367,493	15,374,096
Total Liabilities and Shareholders Equity		₩ 28,529,390	28,581,387

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

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

(In millions of won except for per share data)

		June 30, 2016		June 30, 2015	
	Note	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
Operating revenue:	4,34				
Revenue		₩ 4,267,289	8,495,752	4,255,739	8,496,025
Operating expenses:	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
Operating income	4	407,364	809,491	412,878	815,526
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)
Profit before income tax	4	364,750	1,100,874	515,592	1,075,605
Income tax expense	30	73,760	237,586	117,704	234,970
Profit for the period		₩ 290,990	863,288	397,888	840,635
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

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Basic and diluted earnings per share (in won)	₩	3,990	12,089	5,432	11,695
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See accompanying notes to the condensed consolidated interim financial statements

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

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

(In millions of won)

		June 30, 2016		June 30, 2015	
		Three-month	Six-month	Three-month	Six-month
	Note	period ended	period ended	period ended	period ended
Profit for the period		₩ 290,990	863,288	397,888	840,635
Other comprehensive income (loss)					
Items that will never be reclassified to profit or loss, net of taxes:					
Remeasurement of defined benefit liabilities	20	(9,025)	(11,636)	5,527	(3,092)
Items that are or may be reclassified subsequently to profit or loss, net of taxes:					
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
Other comprehensive income (loss) for the period, net of taxes		(60,962)	(253,157)	76,096	66,582
Total comprehensive income		₩ 230,028	610,131	473,984	907,217
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.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 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			
Balance at January 1, 2015	₩ 44,639	277,998	14,188,591	(4,489)	14,506,739	741,531	15,248,270
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)
Balance at June 30, 2015	₩ 44,639	662,455	14,421,043	59,389	15,187,526	130,061	15,317,587
Balance at January 1, 2016	₩ 44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096
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)	
Balance at June 30, 2016	₩ 44,639	191,684	15,214,203	(232,405)	15,218,121	149,372	15,367,493

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

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

<i>(In millions of won)</i>	<i>Note</i>	June 30, 2016	June 30, 2015
Cash flows from operating activities:			
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)
Net cash provided by operating activities		1,822,295	1,414,051
Cash flows from investing activities:			
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)
Sub-total	(1,381,618)	(1,658,030)
Net cash used in investing activities	₩ (881,174)	(1,094,009)

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

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

<i>(In millions of won)</i>	June 30, 2016	June 30, 2015
Cash flows from financing activities:		
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	
Sub-total	631,923	1,070,688
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)
Sub-total	(1,240,957)	(1,400,498)
Net cash used in financing activities	(609,034)	(329,810)
Net increase (decrease) in cash and cash equivalents	332,087	(9,768)
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
Cash and cash equivalents at end of the period	₩ 1,099,561	829,659

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority 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:

Subsidiary	Location	Primary business	Ownership (%)	
			June 30, 2016	December 31, 2015
SK Telink Co., Ltd.	Korea	Telecommunication and 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			

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

Subsidiary	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

Subsidiary	Total assets	Total liabilities	Total equity	Revenue	Profit (loss)
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:

Subsidiary	Reason
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:

Subsidiary	Reason
Commerce Planet Co., Ltd.	Merged into SK Planet Co., Ltd., a subsidiary of the Parent Company

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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>	SK Communications Co., Ltd.	
	June 30, 2016	December 31, 2015
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	Cellular	Fixed-line Telecommunication	Others	Sub-total	Adjustments	Total
	services	services				
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	Cellular Services	Fixed-line Telecommunication services	Others	Sub-total	Adjustments	Total
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)

	June 30, 2016	December 31, 2015
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	Gross amount	June 30, 2016 Allowances for doubtful accounts	Carrying amount
Current assets:			
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
Non-current assets:			
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)

	Gross amount	December 31, 2015 Allowances for doubtful accounts	Carrying amount
Current assets:			
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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
Balance at June 30	₩ 356,632	342,599

- (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>	June 30, 2016		December 31, 2015	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
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)

	June 30, 2016		December 31, 2015	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 cost	Write-down	Carrying amount	Acquisition cost	Write-down	Carrying 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	June 30, 2016	December 31, 2015
Equity securities:		
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
Debt securities:		
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)

	June 30, 2016
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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
Investments in associates:					
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
Investments in joint ventures:					
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT 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 Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT 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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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**

		Dogus Planet, Inc.	PT. Melon Indonesia	PT XL Planet Digital	Celcom Planet
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**

		Dogus Planet, Inc.	PT. Melon Indonesia	PT XL Planet Digital	Celcom Planet
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)
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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

			June 30, 2016		
	Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Goodwill	Carrying amount
Associates:					
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)

			December 31, 2015		
	Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Goodwill	Carrying amount
Associates:					
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.

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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 balance	For the six-month period ended June 30, 2016				Ending balance
		Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other decrease	
Investments in associates:						
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 Co., Ltd.	86,324		(5,715)	(4,676)		75,933
SK Technology Innovation 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 Technology Co., Ltd	25,767		(158)			25,609
Others	161,058	(4,019)	(5,603)	563	(682)	151,317
Sub-total	6,850,322	(4,019)	147,138	(27,567)	(98,674)	6,867,200
Investments in joint ventures:						
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
Sub-total	45,971	48,540	(29,159)	(3,438)		61,914
Total	₩ 6,896,293	44,521	117,979	(31,005)	(98,674)	6,929,114

(*) Dividends received from the associate are deducted from the carrying amount during the six-month period ended June 30, 2016.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 balance	For the six-month period ended June 30, 2015				Ending balance
		Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other increase (decrease)	
Investments in associates						
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
SK Industrial Development						
China Co., Ltd.	79,394		(587)	1,854		80,661
Packet One Network	53,670		(8,714)	(565)		44,391
SK Technology Innovation						
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 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
Investments in joint ventures						
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
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(*) Dividends received from the associate are deducted from the carrying amount during the six-month period ended June 30, 2015.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 June 30, 2016	Accumulated	Period ended 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 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)

	For the six-month period ended June 30, 2015						
	Beginning					Business	Ending
	balance	Acquisition	Disposal	Transfer	Depreciation	combination	balance
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

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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>	For the six-month period ended June 30, 2016			
	Beginning balance	Transfer	Depreciation	Ending balance
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>	For the six-month period ended June 30, 2015			
	Beginning balance	Transfer	Depreciation	Ending balance
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>	June 30, 2016	December 31, 2015
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>	For the six-month period ended	
	June 30,	
	2016	June 30, 2015
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

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SK TELECOM CO., LTD. and Subsidiaries

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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 balance	For the six-month period ended June 30, 2016					Ending 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 balance	For the six-month period ended June 30, 2015					Ending balance
		Acquisition	Disposal	Transfer	Amortization	Business 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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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 of amortization	Completion of 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			

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	Lender	Annual interest rate (%)	June 30, 2016	December 31, 2015
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)

Lender	Annual interest rate (%)	Maturity	June 30, 2016	December 31, 2015
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
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(*) 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.

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SK TELECOM CO., LTD. and Subsidiaries

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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)

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	June 30, 2016	December 31, 2015
Payables related to acquisition of W-CDMA licenses	₩ 440,841	550,964
Other(*)	30,987	30,733
	₩ 471,828	581,697

(*) 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)

	Period of repayment	Coupon rate	Annual effective interest rate(*)	June 30, 2016	December 31, 2015
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				₩ 440,841	550,964

(*) 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)

	Amount
Less than 1 year	₩ 117,834
1~3 years	235,669
3~5 years	235,669
	₩ 589,172

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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.

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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)

	Lease payments	Revenues
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).

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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)

	June 30, 2016	December 31, 2015
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)

	For the six-month period ended	
	June 30, 2016	June 30, 2015
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

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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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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.

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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)

Borrowing			Contract	Financial	Duration of contract
date	Hedging Instrument (Hedged item)	Hedged risk	type	institution	
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
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 ~ 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 ~ Apr. 29, 2022

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SK TELECOM CO., LTD. and Subsidiaries

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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 gain (loss) on valuation of derivatives	Cash flow hedge Tax effect	Fair value		Held for trading	Total
			Accumulated foreign currency translation (gain) loss	Others (*)		
Non-current assets:						
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
Total assets					₩	150,839
Current liability:						
	₩ (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)
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Total liabilities				₩ (86,458)
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(*) 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.

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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)

	June 30, 2016	December 31, 2015
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)

	June 30, 2016			June 30, 2015		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
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
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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)

	June 30, 2016	December 31, 2015
Number of shares	10,136,551	10,136,551
Amount	₩ 2,260,626	2,260,626

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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

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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)

	June 30, 2016	December 31, 2015
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)

	Unrealized fair value of available-for- sale financial assets	Other comprehensive loss of investment in associates	Unrealized fair value of derivatives	Foreign currency translations differences for foreign operations	Total
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)
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SK TELECOM CO., LTD. and Subsidiaries

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Operating Expenses:				
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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Non-operating Income:				
Fees revenues	₩ 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

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Income:				
Interest income	₩ 12,346	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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Finance Costs:				
Interest 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

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and 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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expenses on borrowings	₩ 2,591	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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended 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.

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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 period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Basic earnings per share attributable to owners of the Parent Company:				
Profit attributable to owners of the 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 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 shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Issued common shares at January 1, 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
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(In shares)

		Weighted number of shares	
	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.

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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)

	June 30, 2016				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
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

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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)

	December 31, 2015				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
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

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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)

	June 30, 2016	December 31, 2015
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)

	June 30, 2016			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
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)

	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
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:

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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)

	June 30, 2016	December 31, 2015
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 - other	116,079	120,211
Long-term payables - other	471,828	581,697
Other non-current liabilities	20,720	23,542
	₩ 2,781,063	2,970,801

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.

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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)

	If increased by 10%	If decreased by 10%
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.

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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)

	June 30, 2016	December 31, 2015
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
	₩ 5,838,282	5,132,849

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.

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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)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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>	June 30, 2016	December 31, 2015
Total liabilities	₩ 13,161,897	13,207,291
Total equity	15,367,493	15,374,096
Debt-equity ratios	85.65%	85.91%

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SK TELECOM CO., LTD. and Subsidiaries

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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
Financial assets that are measured at fair value:					
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
Financial liabilities that are measured at fair value:					
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
Financial liabilities that are not measured at fair value:					
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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:

	Interest rate
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)

	Balance at January 1, 2016	Transfer	Other comprehensive loss	Disposal	Balance at June 30, 2016
Available-for-sale financial assets	₩ 131,071	4,657	(1,722)	(5,108)	128,898

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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		
	Gross financial instruments recognized	Amount offset	on the statement of financial position	Relevant financial instruments not offset	Net amount
Financial assets:					
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
Financial liabilities:					
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		
	Gross financial instruments recognized	Amount offset	on the statement of financial position	Relevant financial instruments not offset	Net amount

Financial assets:						
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
Financial liabilities:						
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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

34. Transactions with Related Parties

(1) List of related parties

Relationship	Company
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>	2016		2015	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

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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.

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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 receivable and others	Accounts payable trade 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	63,454
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

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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 Accounts receivable-trade and others	Accounts payable Accounts payable other 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 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>	For the six-month period ended	
	June 30, 2016	June 30, 2015
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)
	₩ (306,453)	(786,942)

- (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.