SK TELECOM CO., LTD.

ANNUAL FINANCIAL REPORT

(From January 1, 2016 to December 31, 2016)

SK telecom

SK telecom

28 April 2017

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Sir/Madam,

I, Young Sang Ryu, an authorized employee of SK Telecom Co., Ltd. (the "Company"), as the person responsible for the submission of the annual financial report pursuant to Section 18.4.3A of the Listing Rules and Section 4.1.3R of the Disclosure and Transparency Rules, have reviewed the information contained herein and find that, to the best of my knowledge and having taken all reasonable care to ensure accuracy, the information is in accordance with the facts and contains no omission likely to affect its import.

In particular, I confirm that:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, all information provided by third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Yours faithfully,

Name: Young Sang Ryu
Position: Chief Financial Officer

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.

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ANNUAL BUSINESS REPORT

(From January 1, 2016 to December 31, 2016)

THIS IS A SUMMARY OF THE 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.

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COMPANY OVERVIEW

1. Company Overview

The Company's annual business report for the twelve months ended December 31, 2016 includes the following consolidated subsidiaries:

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2016 (millions of Won)	Material Subsidiary*
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	440,956	Material
SK M&Service Co., Ltd.	Feb. 10, 2000	Online information services	107,768	Material
SK Communications Co., Ltd.	Sept. 19, 1996	Internet portal and other Internet information services	128,233	Material
Stonebridge Cinema Fund	Sept. 30, 2005	Investment partnership	3,615	
SK Broadband Co., Ltd.	Sept. 5, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,523,494	Material
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	13,514	
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	546,803	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	67,735	
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	59,004	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	69,774	
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	1,935,663	Material
Neosnetworks Co., Ltd.	Jun. 12, 2008	Security system services	65,025	
Iriver Ltd.	Jul. 12, 2000	Audio device manufacturing	54,063	
Iriver Enterprise Ltd.	Jan. 14, 2014	Management of Chinese subsidiary	4,059	
Iriver Inc.	Feb. 15, 2007	North America marketing and sales	2,722	
Iriver China Co., Ltd.	Jun 24, 2004	Electronic device manufacturing	4,119	
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	127	
groovers Japan Co. Ltd.	Feb. 25, 2015	Contents and information distribution	1,466	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment (holding company)	39,289	
SK Global Healthcare Business Group, Ltd.	Sept. 14, 2012	Investment (SPC)	44,755	
SK Planet Japan, K.K.	Mar. 14, 2012	Digital contents sourcing services	4,026	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	4,664	
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	357	
SKP Global Holdings PTE, LTD.	Aug. 10, 2012	Investment (holding company)	47,507	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	48,369	
SK Planet America LLC	Jan. 27, 2012	Digital contents sourcing services	439,209	Material

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2016 (millions of Won)	Material Subsidiary*
YTK Investment Ltd.	Jul. 1, 2010	Investment	16,826	
Atlas Investment	Jun. 24, 2011	Investment	79,477	Material
SK Telecom Innovation Fund, L.P.	Jan. 15, 2016	Investment	36,031	
SK Telecom China Fund I L.P.	Sept. 14, 2011	Investment	22,182	
Entrix Co., Ltd.	July 1, 2015	Telecommunication services	20,360	
SK TechX Co., Ltd.	Mar. 1, 2016	Telecommunication services	212,819	Material
Onestore Co., Ltd.	Mar. 1, 2016	Contents distribution	134,207	Material
Shopkick Management Company, Inc.	Oct. 9, 2014	Investment	354,627	Material
Shopkick, Inc.	Jun. 1, 2009	Mileage based e-commerce application development	37,947	
Planet 11 E-commerce Solutions India Pvt. Ltd.	Sept. 1, 2014	E-commerce management	1,604	
11 street (Thailand) Co., Ltd.	Apr. 5, 2016	E-commerce	17,886	
HelloNature Co., Ltd.	Jan. 5, 2012	B2C organic food e-commerce	548	

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

※ During 2016, Technology Innovation Partners, L.P. changed its name to SK Telecom Innovation Fund, L.P.

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

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
	Planet11 E-commerce Solutions India Pvt. Ltd.	Newly acquired by SK Planet Co., Ltd.
	11street (Thailand) Co., Ltd.	Newly established by SKP Global Holdings PTE, LTD.
	HelloNature Co., Ltd.	Newly established by SK Planet Co., Ltd.
Exclusions	Commerce Planet Co. Ltd.	Merged into SK Planet Co., Ltd.
	Hwaitec Focus Investment Partnership 2	Disposed of equity investment
	Open Innovation Fund	Disposed of equity investment
	Iriver America Inc.	Disposed of equity investment

A. Corporate Legal Business Name: SK Telecom Co., Ltd.

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

(1) Address: 65 Euljiro, Jung-gu, Seoul, Korea

(2) Phone: +82-2-6100-2114

(3) Website: http://www.sktelecom.com

D. Major Businesses

(1) Wireless business

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

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

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

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

(2) Fixed-line business

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

(3) Other businesses

The Company is a leading player in the Korean e-commerce industry with 11th Street, an e-commerce platform service that connects various sellers and purchasers through its online and mobile platforms, "Shocking Deal," a mobile commerce curation service and BENEPIA, a customized benefits and rewards service platform. In addition, the Company has rapidly grown into a top tier player in Turkey, Indonesia and Malaysia after launching open market businesses in these countries by optimizing its businesses for the respective local markets and utilizing its expertise in the e-commerce platform business. In the online-to-offline ("O2O") area, the Company is a leading player and continues to expand its market power with OK Cashbag, Korea's largest loyalty mileage program, Syrup Wallet, which offers smart shopping services utilizing its network of business partners and information technology such as big data, and other Syrup-related services such as gifticon, Syrup Table and Syrup Pay. The Company focuses on the mobile platform to connect various on- and offline commerce service platforms that provide various benefits and information at the right place and the right time to give consumers a pleasant and convenient shopping experience and retailers an integrated marketing solution to reach their target audience. The Company intends to continue its efforts to secure the market leading position in these markets.

In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services. The Company offers differentiated services utilizing a combination of SK Planet's big data, research-driven insight, sophisticated communication strategies, innovative and creative strategies, optimized media execution and powerful promotions. Surpassing the role of a conventional advertising agency, the Company helps businesses create new value.

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

See "II-1. Business Overview" for more information.

E. Credit Ratings

(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	NICE Investors Service, Co., Ltd.	Current rating
October 26, 2015	Corporate bond	AAA	Korea Ratings	Current rating
October 26, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
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

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	CP	A1	Korea Investors Service, Inc.	Regular rating
December 20, 2013	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	CP	A1	Korea Ratings	Current rating
April 22, 2014	CP	A1	Korea Investors Service, Inc.	Current rating
April 22, 2014	CP	A1	NICE Investors Service Co., Ltd.	Current rating
October 15, 2014	CP	A1	Korea Ratings	Regular rating
October 15, 2014	CP	A1	Korea Investors Service, Inc.	Regular rating
October 15, 2014	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
May 21, 2015	CP	A1	Korea Ratings	Current rating
May 27, 2015	CP	A1	Korea Investors Service, Inc.	Current rating
June 10, 2015	CP	A1	NICE Investors Service Co., Ltd.	Current rating
January 19, 2016	Short-term bond	A1	Korea Ratings	Current rating
January 19, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
January 19, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
April 27, 2016	CP	A1	Korea Ratings	Current rating
April 27, 2016	Short-term bond	A1	Korea Ratings	Current rating
May 11, 2016	CP	A1	Korea Investors Service, Inc.	Current rating
May 11, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
May 12, 2016	CP	A1	NICE Investors Service Co., Ltd.	Current rating
May 12, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
October 26, 2016	CP	A1	Korea Ratings	Regular rating
October 26, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	Short-term bond	A1	Korea Ratings	Regular rating
November 3, 2016	CP	A1	Korea Investors Service, Inc.	Regular rating
November 3, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating

* 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
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.)

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

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

A. Location of Headquarters

- 22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)
- 16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)
- 267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)
- 99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)
- 65 Euljiro, Jung-gu, Seoul (December 13, 2004)

B. Significant Changes in Management

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

C. Change in Company Name

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

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

D. Mergers, Acquisitions and Restructuring

(1) 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

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

(in millions of Won)

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

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

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

(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 Shenzen E-Eye shares

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

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

(13) Additional capital raise by NanoEnTek Inc.

In 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.

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

In March 2016, SK Planet spun off its platform business and T Store business and established SK TechX and Onestore. The Company exchanged 12,323,905 shares of SK Planet for 6,323,905 shares of SK TechX and 6,000,000 shares of Onestore at the time of the spin-off. The Company later acquired an additional 4,409,600 shares of Onestore at a purchase price of Won 22 billion by participating in the follow-on rights offering. The Company did not participate in the subsequent follow-on rights offering and as of December 31, 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.

(20) Establishment of Hana-SK Fintech Corporation

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

(21) Capital contribution of shares of Neosnetworks for new shares of SK Telink Co., Ltd. ("SK Telink")

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

(22) Acquisition of shares of SM Mobile Communications

In October 2016, the Company transferred the media platform businesses Hotzil and 5Ducks to SM Mobile Communications in exchange for 1,200,000 shares of SM Mobile Communications. As a result, the Company owned a 46.2% equity interest in SM Mobile Communications as of December 31, 2016.

(23) Exchange of shares of SK Communications

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

0.0125970 common share of SK Communications. In February 2017, SK Communications became a wholly-owned subsidiary of the Company.

[SK Broadband]

(1) Share Exchange

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

(2) Merger among Subsidiaries and Affiliates

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

(3) Merger with CJ HelloVision

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

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

[SK Planet]

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

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

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

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

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

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

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

[SK Telink]

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

[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.

(6) Comprehensive share exchange

Pursuant to the resolution of its board of directors on November 24, 2016, SK Communications entered into a comprehensive share exchange agreement with SK Telecom on November 25, 2016. Upon the consummation of the share exchange on February 7, 2017, SK Communications became a wholly-owned subsidiary of SK Telecom.

[PS&Marketing]

On February 20, 2014, the board of directors of PS&Marketing resolved to acquire the retail distribution business, including related assets, liabilities, contracts and human capital of the information technology and mobile wing of SK Networks. On the same day, the board of directors of PS&Marketing also resolved to acquire retail stores, including their assets and liabilities, of LCNC Co., Ltd ("LCNC"). The acquisitions were completed on April 30, 2014 at a purchase price of Won 124.5 billion for the assets acquired from SK Networks and a purchase price of Won 10 billion for the assets acquired from LCNC.

[SK M&Service]

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

[Neosnetworks]

On March 31, 2015, Neosnetworks acquired the unmanned electronic security business of Joeun Safe to expand its unmanned security business. The acquisition cost, which had been reported on January 5, 2015 as Won 19.4 billion, was subject to adjustment depending on the customer transfer rate. The final acquisition cost was determined to be Won 16.9 billion.

[Iriver]

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

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

(2) 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 (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).

(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 based on the five-year Korean government bond yield plus a spread. An additional spread of 0.25% is payable beginning ten years from the date of issuance and an additional spread of 0.75% is payable after 25 years from the date of issuance. The Company classified the hybrid securities as equity, as there is no contractual obligation to deliver financial assets to the bondholders. The maturity date of the hybrid securities is June 7, 2073, which can be extended by the Company without any notice or announcement.

(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 December 31, 2016) (Unit: in shares)

Classification		Share type			Remarks
		Common shares	Preferred shares	Total	
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	—

B. Treasury Shares

(1) Acquisitions and dispositions of treasury shares

(As of December 31, 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 acquisition	Direct acquisition from market	Common shares	10,136,551	—	—	—	10,136,551
			Preferred shares	—	—	—	—	—
		Direct over-the-counter acquisition	Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
		Tender offer	Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
		Sub-total	Common shares	10,136,551	—	—	—	10,136,551
			Preferred shares	—	—	—	—	—
	Acquisition through trust and other agreements	Held by trustee	Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
		Held in actual stock	Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
		Sub-total	Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
Other acquisition			Common shares	—	—	—	—	—
			Preferred shares	—	—	—	—	—
Total			Common shares	10,136,551	—	—	—	10,136,551
			Preferred shares	—	—	—	—	—

4. Status of Voting Rights

(As of December 31, 2016) (Unit: in shares)

Classification		Number of shares	Remarks
Total shares (A)	Common share	80,745,711	—
	Preferred share	—	—
Number of shares without voting rights (B)	Common share	10,136,551	Treasury shares
	Preferred share	—	—
Shares without voting rights pursuant to the Company's articles of incorporation (the "Articles of Incorporation") (C)	Common share	—	—
	Preferred share	—	—
Shares with restricted voting rights pursuant to Korean law (D)	Common share	—	—
	Preferred share	—	—
Shares with reestablished voting rights (E)	Common share	—	—
	Preferred share	—	—
The number of shares with exercisable voting right s (F = A - B - C - D + E)	Common share	70,609,160	—
	Preferred share	—	—

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 393rd Board of Directors' Meeting on July 28, 2016.

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

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

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 year ended December 31, 2016	As of and for the year ended December 31, 2015	As of and for the year ended December 31, 2014
Par value per share (Won)		500	500	500
(Consolidated)Net income		1,660,101	1,518,604	1,801,178
Net income per share (Won)		23,497	20,988	25,154
Total cash dividend		706,091	708,111	666,802
Total stock dividends		—	—	—
(Consolidated) Percentage of cash dividend to available income (%)		42.5	46.6	37
Cash dividend yield ratio (%)	Common share	4.3	4.6	3.5
	Preferred share	—	—	—
Stock dividend yield ratio (%)	Common share	—	—	—
	Preferred share	—	—	—
Cash dividend per share (Won)	Common share	10,000	10,000	9,400
	Preferred share	—	—	—
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.

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
	SK Telink Co., Ltd.	International wireless direct-dial “00700” services, voice services using Internet protocol, Mobile Virtual Network Operator (“MVNO”) business and automated security services
Other business	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
	SK M&Service Co., Ltd.	System software development, distribution and technical support services and other online information services
	Iriver Ltd.	Audio and video device manufacturing
	SK Planet America LLC	System software development, distribution and investments
	Shopkick Management Company, Inc.	System software development, distribution and investments
	Atlas Investment	Investments

[Wireless Business]

A. Industry Characteristics

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

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 71.2% as of December 31, 2016.

B. Growth Potential

(Unit: in 1,000 persons)

Classification		As of December 31,		
		2016	**2015**	**2014**
Number of subscribers	**SK Telecom**	26,428	25,928	26,138
	Others (KT, LGU+)	27,018	26,088	25,588
	MVNO	6,841	5,921	4,584
	Total	60,287	57,937	56,310

* Source: Wireless subscriber data from the Ministry of Science, ICT and Future Planning ("MSIP") as of December 31, 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.

(Unit: in percentages)

Classification	As of December 31,		
	2016	**2015**	**2014**
Mobile communication services	49.1	49.4	50.2

* 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 twelve months ended December 31, 2016, the Company recorded Won 17.1 trillion in revenue and Won 1.5 trillion in operating income on a consolidated basis and Won 12.4 trillion in revenue and Won 1.8 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 twelve months ended December 31, 2016, the average monthly churn rate was 1.4%, a record low since 2004 when the mobile number portability system was first introduced. The number of subscribers (including MVNO subscribers) as of December 31, 2016, was 29.6 million, an increase of approximately 970,000 from the previous year. In particular, the number of smartphone subscribers as of December 31, 2016, was 21.9 million, an increase of approximately 1,260,000 from the previous year, propelled by 21.1 million LTE subscribers, solidifying the Company's market leadership. In addition, as of December 31, 2016, the number of subscribers for products targeted towards second devices such as the T Kids' phone – Joon and T Outdoor reached over a million, which the Company believes shows a level of demand that can potentially lead to growth of the lifestyle enhancement platform.

Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. 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 20 years, 19 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

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

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

B. Growth Potential

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

Classification		As of December 31,		
		2016	2015	2014
Fixed-line Subscribers	**High-speed Internet**	20,556	20,025	19,199
	Fixed-line telephone	15,746	16,341	16,939
	IPTV (real-time)	11,850	10,992	9,670

* Source: MSIP website.

* Number of IPTV subscribers for 2016 is the average number of IPTV subscribers in the first six months of 2016 based on MSIP announcements.

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.

(Unit: in percentages)

Classification	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")	16.9	17.1	17.0
IPTV	30.7	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 November 15, 2016, and the number of IPTV subscribers as of December 31, 2016, was calculated using the average number of subscribers for the first six months of 2016.

D. Business Overview and Competitive Strengths

Revenue of the our fixed-line business increased in 2016 primarily due to increases in revenues from the our high-speed internet and IPTV services, and achieved stable growth in profitability despite investments made for Giga and ultra-high definition broadcasting services and the strengthening of our media platform. As of December 31, 2016, the number of subscribers to each of our high-speed internet, fixed-line telephones, VoIP and IPTV services was 5.21 million, 2.56 million, 1.72 million and 3.97 million, respectively. In addition, SK Broadband's international credit ratings remain unchanged from last year, and SK Broadband has maintained a stable financial position throughout 2016.

The number of our high-speed internet subscribers increased by approximately 170,000 in 2016 as a result of improved customer retention and low subscriber deactivation rates. We achieved the second largest market share in the Giga internet business due to the early expansion of our Giga services coverage. The increase in the number of subscribers to our Giga services contributed to an increase in revenue in 2016 as well as an increase in average revenue per subscriber in the fourth quarter of 2016.

Revenue from our IPTV business increased by approximately 33% in 2016 compared to 2015, as the number of IPTV subscribers increased and our platform services business evolved, driving the overall revenue growth in fixed-line services. In particular, the increase in the number of subscribers for our ultra-high definition broadcasting services and other premium services contributed to a shift toward a subscriber base with higher average revenue per subscriber. The number of subscribers to oksusu, our mobile IPTV service, has also continued to increase in 2016.

Revenue from our corporate communications services business increased by approximately 12% compared to 2015 as a result of the repositioning of the business and constituted a greater portion of total revenue from our fixed-line business in 2016 compared to 2015. In addition, the early expansion of our Giga services coverage in the first half of 2016 gave us a competitive advantage in marketing, and our quality control and the overall quality of the customer experience have improved over time.

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

[Other Business]

A. Industry Characteristics

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

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

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

B. Growth Potential

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

C. Domestic and Overseas Market Conditions

(1) Commerce markets

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

(2) Digital contents

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

D. Business Overview and Competitive Strengths

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

(1) Commerce business

11th Street, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market. Furthermore, 11th Street has established itself as the domestic market leader in mobile commerce, following its successful entry into and rapid growth in this market. Growth plans involving overseas joint ventures based on 11th Street's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2013. In Indonesia, an open market service was launched in March 2014 through collaboration with PT XL Axiata Tbk, a wireless telecommunications company in Indonesia. In October 2014, SK Planet and Celcom Axiata Berhad, which is a leading telecommunications service provider in Malaysia, established a joint venture, Celcom Planet, and launched online commerce services tailored to the Malaysian market in April 2015. 11th Street is not only actively engaged in operating such business in Malaysia, but has also launched its service in Thailand in February 2017.

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

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

(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. 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 18.8% in the instant messenger market in Korea with 3.0 million net users during the month of December 2016. The Company's Internet search portal service, "Nate," had a page-view market share of 4.1% as of December 31, 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., PS&Marketing Co., Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T, Band Data and others	13,004,909 (76%)
Fixed-line	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	2,651,193 (16%)
Other	SK Planet Co., Ltd., SK TechX Co., Ltd., Onestore Co., Ltd., SK Communications Co., Ltd., M&Service Co., Ltd., SKP America, LLC, Shopkick Mgmt. Co., Ltd.	Internet portal service and e-commerce	OK Cashbag, NATE, Onestore and others	1,435,714 (8%)
Total				17,091,816 (100%)

[Wireless Business]

As of December 31, 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.

[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 December 31, 2016, broadband Internet and TV services comprised 57.6% of SK Broadband's revenue, telephony service 14.8%, corporate data services 24.1% and other telecommunications services 3.5%. 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, OK Cashbag and others
Advertisement (Display, Search)	Online advertisement services	Nate, Nate-On
Contents and others	Pay content sales and other services	Nate, Nate-On

3. Investment Status

[Wireless Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Expected investment amount	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	Twelve months ended December 31, 2016	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	19,637	—
Total					21,000	19,637	—

* On July 28, 2016, the Company's board of directors resolved to increase its 2016 capital expenditure budget from Won 2 trillion to Won 2.1 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	2017	2018	2019	
Network/Common	Network, systems and others	20,000	20,000	To be determined	To be determined	Upgrades to the existing services and expanded provision of services including wideband LTE-A
Total		20,000	20,000	To be determined	To be determined	

[Fixed-line Business]

A. Investment in Progress

For the twelve months ended December 31, 2016, the Company spent Won 699.6 billion for capital expenditures as set out below, including the investment of Won 352.2 billion to expand subscriber networks. In 2017, the Company expects to spend additional amounts to strengthen the competitiveness of its infrastructure and media platform.

(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	Twelve months ended December 31, 2016	Backbone and subscriber network / others	Expand subscriber networks and facilities	2,400	To be determined
Telephone					71	
Television					1,350	
Corporate Data				Increase leased-line and integrated information system	1,310	
Others				Expand networks and required space	1,865	
Total					6,996	

4. Revenues

(Unit: in millions of Won)

Business	Sales type	Item		For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Wireless	Services	Mobile communication	Export	17,393	15,035	6,773
			Domestic	12,987,516	13,254,243	13,521,108
			Subtotal	13,004,909	13,269,278	13,527,881
Fixed-line	Services	Fixed-line, B2B data, High-speed Internet, TV	Export	92,630	94,387	63,608
			Domestic	2,558,563	2,400,186	2,386,312
			Subtotal	2,651,193	2,494,573	2,449,920
Other	Services	Display and Search ad., Content	Export	42,205	53,622	20,798
			Domestic	1,393,509	1,319,261	1,165,199
			Subtotal	1,435,714	1,372,883	1,185,997
Total			Export	152,228	163,044	91,179
			Domestic	16,939,588	16,973,690	17,072,619
			Total	17,091,816	17,136,734	17,163,798

(Unit: in millions of Won)

For the year ended December 31, 2016	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
Total sales	14,635,720	3,349,905	1,903,697	19,889,322	(2,797,506)	17,091,816
Internal sales	1,630,811	698,712	467,983	2,797,506	(2,797,506)	—
External sales	13,004,909	2,651,193	1,435,714	17,091,816	—	17,091,816
Operating income (loss)	1,799,127	132,459	(395,842)	1,535,744	—	1,535,744
Profit (loss) for the period	—	—	—	—	—	2,096,139
Total assets	26,191,950	3,959,633	2,712,168	32,863,751	(1,566,088)	31,297,663
Total liabilities	11,635,460	2,494,583	1,092,616	15,222,659	(41,426)	15,181,233

5. Derivative Transactions

A. Current Swap Contract Applying Cash Flow Risk Hedge Accounting

Currency swap contracts under cash flow hedge accounting as of December 31, 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
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	Standard Chartered and nine other banks	Nov. 1, 2012 – May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 – Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 – Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 – Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US$69,056)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 – Apr. 29, 2022
Dec. 20, 2016	Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 20, 2016 – Dec. 20, 2021
January 30, 2017	Floating-to-fixed interest rate swap(*) (Korean Won denominated bonds face value of KRW 44,917 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 – Jul. 30, 2019

* On January 30, 2017, SK Broadband expects to convert its fixed-rate loan that is outstanding as of December 31, 2016 to a floating-rate loan. SK Broadband has entered into an interest rate swap contract in respect of any floating-rate loan it may enter into going forward, and cash flow hedge accounting has been applied to the relevant contract.

B. Treatment of Derivative Instruments on the Balance Sheet

As of December 31, 2016, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

Hedged item	Fair value					
	Cash flow hedge				Trading purposes	Total
	Accumulated gain (loss) on valuation of derivatives	Tax effect	Foreign currency translation gain (loss)	Others(*1)		
Non-current assets:						
Structured bond (face value of Won 50 billion)	-	-	-	-	7,368	7,368
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US$400,000,000)	(61,846)	(19,745)	25,594	129,806	-	73,809
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US$700,000,000)	(16,070)	(5,132)	82,207	-	-	61,005
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US$300,000,000)	(5,714)	(1,824)	37,363	-	-	29,825
Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of US$63,296,000)	(3,859)	(1,232)	9,549	-	-	4,458
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face	(5,458)	-	43,763	-	-	38,305

value of US$300,000,000)						
Total assets						214,770
Current liabilities:						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)	(4,376)	(1,397)	(9,068)	-	-	(14,841)
Fixed-to-fixed cross currency swap (Australian dollar denominated bonds face value of AUD 300,000,000)	1,109	354	(73,572)	-	-	(72,109)
Non-current liabilities:						
Floating-to-fixed interest rate swap (Korean Won denominated bonds face value of KRW 49 billion)	(203)	-	-	-	-	(203)
Total liabilities						(87,153)

(*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	September 30, 2016	Purchase land (Euiwang and four others)	26
Real Estate	Maeil C&D, etc.	November 7, 2016	February 7, 2017	Sell land on Jeju Island	55
Subtotal					198

[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. 2016 to Nov. 2017 (Unless special reasons arise, the usage period will be renewed annually)	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2015 to Dec. 2017	Use of railway telecommunication conduit (Serviced areas to expand)
Busan Transportation Corporation	Use of telecommunication line conduits	From July 2009 to July 2013 (Renewal in progress, currently in the process of transitioning to private network system, plans to enter into a contract once completed and the remaining work is confirmed)	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (Renewal in progress, currently in discussion to decide usage	Use of railway telecommunication conduit (Serviced areas to expand)

Counterparty	Contract Contents	Contract Period	Note
		unit price, future plans to enter into a contract)	
Gwangju City Railway	Use of telecommunication line conduits	From Sept. 2010 to Dec. 2012 (Renewal in progress, in the completion stage of transitioning to private network system, currently reviewing whether to renew contract at the end of 2016)	Use of railway telecommunication conduit (Service lease)

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

[SK Communications]

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 year ended December 31, 2016	2015	2014	Remarks
Raw material		659	1,267	530	—
Labor		116,108	68,969	71,224	—
Depreciation		125,827	147,577	176,975	—
Commissioned service		54,714	37,001	67,802	—
Others		53,785	67,888	81,221	—
Total R&D costs		351,093	322,702	397,752	—
Accounting	Sales and administrative expenses	344,787	315,790	390,943	—
	Development expenses (Intangible assets)	6,306	6,912	6,809	—
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)		2.05%	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 December 31, 2016, the Company holds 6,162 Korean-registered patents, 453 U.S.-registered patents, 324 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 798 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 December 31, 2016, SK Broadband holds 403 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of December 31, 2016, SK Planet held 2,324 registered patents, 126 registered design marks, 1,202 registered trademarks and five copyrights (including those held jointly with other companies) in Korea. It also holds 131 U.S.-registered patents, 93 Chinese-registered patents, 71 Japanese-registered patents, 36 E.U.-registered patents (all including patents held jointly with other companies) and 296 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of December 31, 2016, SK Communications held 92 registered patents, 26 registered design rights and 506 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

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

III. FINANCIAL INFORMATION

1. Summary Financial Information (Consolidated and Separate)

A. Summary Financial Information (Consolidated)

Below is the summary consolidated financial information of the Company as of and for the years ended December 31, 2016, 2015 and 2014. The Company's audited consolidated financial statements as of and for the years ended December 31, 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 December 31, 2016	As of December 31, 2015	As of December 31, 2014
Assets			
Current Assets	5,996,628	5,160,242	5,083,148
• Cash and Cash Equivalents	1,505,242	768,922	834,429
• Accounts Receivable – Trade, net	2,240,926	2,344,867	2,392,150
• Accounts Receivable – Other, net	1,121,444	673,739	690,527
• Others	1,129,016	1,372,714	1,166,042
Non-Current Assets	25,301,035	23,421,145	22,858,085
• Long-Term Investment Securities	828,521	1,207,226	956,280
• Investments in Associates and Joint Ventures	7,404,323	6,896,293	6,298,088
• Property and Equipment, net	10,374,212	10,371,256	10,567,701
• Intangible Assets, net	3,776,354	2,304,784	2,483,994
• Goodwill	1,932,452	1,908,590	1,917,595
• Others	985,173	732,996	634,427
Total Assets	31,297,663	28,581,387	27,941,233
Liabilities			
Current Liabilities	6,444,099	5,256,493	5,420,310
Non-Current Liabilities	8,737,134	7,950,798	7,272,653
Total Liabilities	15,181,233	13,207,291	12,692,963
Equity			
Equity Attributable to Owners of the Parent Company	15,971,399	15,251,079	14,506,739
Share Capital	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	199,779	189,510	277,998
Retained Earnings	15,953,164	15,007,627	14,188,591
Reserves	(226,183)	9,303	(4,489)
Non-controlling Interests	145,031	123,017	741,531
Total Equity	16,116,430	15,374,096	15,248,270
Total Liabilities and Equity	31,297,663	28,581,387	27,941,233
Number of Companies Consolidated	38	37	40

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

	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Operating Revenue	17,091,816	17,136,734	17,163,798
Operating Income	1,535,744	1,708,006	1,825,105
Profit Before Income Tax	2,096,139	2,035,365	2,253,828
Profit for the Period	1,660,101	1,515,885	1,799,320
Profit for the Period Attributable to Owners of the Parent Company	1,675,967	1,518,604	1,801,178
Profit for the Period Attributable to Non-controlling Interests	(15,866)	(2,719)	(1,858)
Basic Earnings Per Share (Won)	23,497	20,988	25,154
Diluted Earnings Per Share (Won)	23,497	20,988	25,154

B. Summary Financial Information (Separate)

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

(Unit: in millions of Won)

	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Assets			
Current Assets	3,661,115	2,713,529	2,689,913
• Cash and Cash Equivalents	874,350	431,666	248,311
• Accounts Receivable – Trade, net	1,594,504	1,528,751	1,559,281
• Accounts Receivable – Other, net	772,570	264,741	305,990
• Others	419,691	488,371	576,331
Non-Current Assets	21,787,459	20,433,411	20,022,549
• Long-Term Investment Securities	560,966	726,505	608,797
• Investments in Subsidiaries and Associates	8,726,538	8,810,548	8,181,769
• Property and Equipment, net	7,298,539	7,442,280	7,705,906
• Intangible Assets, net	3,275,663	1,766,069	1,928,169
• Goodwill	1,306,236	1,306,236	1,306,236
• Others	619,517	381,773	291,672
Total Assets	25,448,574	23,146,940	22,712,462
Liabilities			
Current Liabilities	4,464,160	3,491,306	3,378,046
Non-Current Liabilities	6,727,460	5,876,174	5,792,195
Total Liabilities	11,191,620	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	13,902,627	13,418,603	12,996,790
Reserves	(61,793)	(53,228)	66,898
Total Equity	14,256,954	13,779,460	13,542,221
Total Liabilities and Equity	25,448,574	23,146,940	22,712,462

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

	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Operating Revenue	12,350,479	12,556,979	13,012,644
Operating Income	1,782,172	1,658,776	1,737,160
Profit Before Income Tax	1,562,782	1,469,444	1,321,750
Profit for the Period	1,217,274	1,106,761	1,028,541
Basic Earnings Per Share (Won)	17,001	15,233	14,262
Diluted Earnings Per Share (Won)	17,001	15,233	14,262

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 year ended December 31, 2016		
	Gross amount	Allowance for Doubtful Accounts	Percentage
Accounts receivable – trade	2,503,139	241,828	10%
Loans	172,982	48,527	28%
Accounts receivable – other	1,350,090	78,977	6%
Accrued income	2,780	-	0%
Guarantee deposits	302,901	-	0%
Total	4,331,892	369,332	9%

(Unit: in millions of Won)

	For the year ended December 31, 2015		
	Gross amount	Allowance for 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		
	Gross amount	Allowance for Doubtful Accounts	Percentage
Accounts receivable – trade	2,682,595	221,909	8%
Loans	157,934	27,694	18%
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 year ended December 31, 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	78,132	75,773	63,697
Reversal of allowance for doubtful accounts	-	—	—
Write-offs	(79,891)	(87,798)	(89,529)
Other	27,075	27,850	30,039
Ending balance	369,332	344,016	328,191

(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 December 31, 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	2,175,956	69,553	164,180	93,450	2,503,139
Percentage	86%	3%	7%	4%	100%

C. Inventories

(1) Detailed Categories of Inventories

(Unit: in millions of Won)

Account Category	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Merchandise	225,958	242,230	246,738
Goods in transit	—	—	—
Other inventories	33,888	31,326	20,929
Total	259,846	273,556	267,667
Percentage of inventories to total assets [Inventories / Total assets]	0.83%	0.96%	0.96%
Inventory turnover [Cost of sales / { (Beginning balance of inventories + Ending balance of inventories) / 2}]	6.89	7.23	7.55

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

E. Key Terms of Debt Securities

[SK Telecom]

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

(As of December 31, 2016) (Unit: in millions of Won except percentages)

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

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 400%
	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 September 12, 2016

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

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 300%
	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 September 12, 2016

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

Maintenance of Financial Ratio	Key Term	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 September 12, 2016

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 63-1	April 23, 2013	April 23, 2023	230,000	April 17, 2013	Korea Securities Finance Corp.

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

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 300%
	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 September 12, 2016

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 70-1	June 3, 2016	June 3, 2019	50,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 70-2	June 3, 2016	June 3, 2021	50,000	May 24, 2016	Korea Securities Finance Corp.

Unsecured Bond – Series 70-3	June 3, 2016	June 3, 2026	120,000	May 24, 2016	Korea Securities Finance Corp.
Unsecured Bond – Series 70-4	June 3, 2016	June 3, 2031	50,000	May 24, 2016	Korea Securities Finance Corp.

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 150% of share capital as of the end of the previous fiscal year
	Compliance Status	Compliant
Restriction on Disposition of Assets	Key Term	Disposal of assets per fiscal year not to exceed 5 trillion won
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on September 12, 2016

[SK Broadband]

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

(As of December 31, 2016) (Unit: in millions of Won except percentages)

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

Maintenance of Financial Ratio	Key Term	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	Submitted on September 12, 2016

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond – Series 38-1	April 2, 2014	Oct. 2, 2016	80,000	March 21, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 38-2	April 2, 2014	April 2, 2019	210,000	March 21, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 39	Sept. 29, 2014	Sept. 29, 2019	130,000	Sept. 17, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 40-1	Jan. 14, 2015	Jan. 14, 2018	50,000	Jan. 2, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 40-2	Jan. 14, 2015	Jan. 14, 2020	160,000	Jan. 2, 2014	Korea Securities Finance Corp.
Unsecured Bond – Series 41	July 15, 2015	July 15, 2020	140,000	July 3, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 42	Oct. 6, 2015	Oct. 6, 2020	130,000	Sept. 22, 2015	Korea Securities Finance Corp.
Unsecured Bond – Series 43-1	Oct. 5, 2016	Oct. 5, 2019	50,000	Sept. 22, 2016	Korea Securities Finance Corp.

Unsecured Bond – Series 43-2	Oct. 5, 2016	Oct. 5, 2021	120,000	Sept. 22, 2016	Korea Securities Finance Corp.

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

IV. AUDITOR'S OPINION

3. Auditor (Consolidated)

Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
KPMG Samjong Accounting Corp.	KPMG Samjong Accounting Corp.	KPMG Samjong Accounting Corp.

4. Audit Opinion (Consolidated)

Period	Auditor's opinion	Issues noted
Year ended December 31, 2016	Unqualified	N/A
Year ended December 31, 2015	Unqualified	N/A
Year ended December 31, 2014	Unqualified	N/A

5. 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 Consolidated financial statements audit English financial statements review and other audit task	1,320	18,127
Year ended December 31, 2014	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	1,280	17,890

B. Non-Audit Services Contract with External Auditors

(Unit: in millions of Won)

Period	Contract date	Service provided	Service duration	Fee
Nine months ended September 30, 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	Jan. 9 - Jan. 23, 2015	9
	September 30, 2015	Confirmation of debt ratio	Sept. 30, 2015 - Oct. 5, 2015	3

	November 9, 2015	Audit of public WiFi	Nov. 9 - Nov. 30, 2015	10
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 - Sept. 23, 2014	42
	June 12, 2014	Review of revised local tax laws	June 12 – July 14, 2014	22

6. Change of Independent Auditors

Not applicable.

V. MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Forward-Looking Statements

This section contains forward-looking statements with respect to the financial condition, results of operations and business of the Company and plans and objectives of the management of the Company. Statements that are not historical facts, including statements about the Company′s beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements.

The Company does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this section, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Such forward-looking statements were based on current plans, estimates and projections of the Company and the political and economic environment in which the Company will operate in the future, and therefore you should not place undue reliance on them.

Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

2. Overview

In a wireless telecommunications industry currently defined by fast-paced advancements in the LTE network, the Company has emerged as the leader in the new ICT era by launching innovative new products and services designed to meet customers' evolving preferences and needs. For example, as part of the effort to provide innovative new products and services, the Company introduced "T Signature" and "Band Playpack" rate plans and new smartphone devices including the Luna S. Furthermore, the Company has focused on growth of the second device market and plans to pursue growth businesses in media, IoT solutions, platform services and commerce services.

The Company's operating revenue, on a consolidated basis, was Won 17,091.8 billion for the year ended December 31, 2016, a 0.3% decrease from 2015 due to a decrease in interconnection revenue, among other reasons. The Company's operating income, on a consolidated basis, was Won 1,535.7 billion for the year ended December 31, 2016, a 10.1% decrease from 2015 due to an increase in costs related to the business expansion of its subsidiaries, including marketing costs. For the year ended December 31, 2016, the Company's EBITDA (as further explained below) and profit for the year were Won 4,603.4 billion and Won 1,660.1 billion, respectively.

In 2016, the Company's capital expenditures, on a separate basis, were Won 1.96 trillion, which is less than the capital expenditure budget set at the beginning of the year. The Company expects that the capital expenditure amount in the mid- to long-term future will decrease and stabilize due to better technology and its efforts to invest more efficiently.

Cash dividends for 2016 were Won 10,000 per common share, which include interim dividends of Won 1,000 per common share paid during the year.

3. Analysis of Consolidated Financial Position

(Unit: in billions of Won, except percentages)

	As of December 31, 2016	As of December 31, 2015	Change from 2015 to 2016	Percentage Change from 2015 to 2016
Total Assets	31,297	28,581	2,716	9.5%
Current Assets	5,997	5,160	837	16.2%
• Cash and Marketable Securities[1]	2,034	1,505	529	35.1%
Non-Current Assets	25,301	23,421	1,880	8.0%
• Property and Equipment and Investment Property	10,374	10,386	(12)	(0.1%)

• Intangible Assets and Goodwill	5,709	4,213	1,496	35.5%
• Long-term Financial Instruments, Long-term Investment Securities and Investment in Associates	8,234	8,114	120	1.5%
Total Liabilities	15,181	13,207	1,974	14.9%
Current Liabilities	6,444	5,257	1,187	22.6%
• Short-term Borrowings	3	260	(257)	(98.8%)
• Current Portion of Long-term Debt	1,191	824	367	44.5%
Non-Current Liabilities	8,737	7,951	786	9.9%
• Debentures and Long-term Borrowings, Excluding Current Portion	6,479	6,561	(82)	(1.2%)
Total Equity	16,116	15,374	742	4.8%
Interest-bearing Financial Debt(2)	7,370	7,557	(187)	(2.5%)
Debt-to-Equity Ratio(3)	45.7%	49.2%	(3.5%p)	-

(1) Cash & marketable securities includes cash & cash equivalents, marketable securities and short-term financial instruments.
(2) Interest-bearing financial debt: Total of short-term borrowings, current portion of long-term debt and debentures and long-term borrowings
(3) Debt-to-equity ratio: Interest-bearing financial debt / Total Equity

A. Assets

As of December 31, 2016 SK Telecom's assets comprised 81% of the Company's assets, on a consolidated basis.

The Company's current assets as of December 31, 2016 increased from the end of the previous year, primarily due to an increase in cash and cash equivalents from increased borrowings of SK Telecom and its subsidiaries. Non-current assets as of December 31, 2016 increased 8% from the end of the previous year, primarily due to the acquisition of new frequency licenses and an increase in the value of SK Hynix shares.

B. Liabilities

As of December 31, 2016 SK Telecom's liabilities comprised 74% of the Company's liabilities, on a consolidated basis.

The Company's current liabilities as of December 31, 2016 increased 23% from the end of the previous year primarily due to the increase of current portion of long-term debt. Non-current liabilities as of December 31, 2016 increased 9.9% from the end of the previous year mainly due to an increase in long-term payables related to the acquisition of frequency licenses.

4. Analysis of Consolidated Financial Information

(Unit: in billions of Won, except percentages)

	For the year ended December 31, 2016	For the year ended December 31, 2015	Change from 2015 to 2016	Percentage Change from 2015 to 2016
Operating Revenue	17,092	17,137	(45)	(0.3%)
Operating Expense	15,556	15,429	127	0.8%
Operating Income	1,536	1,708	(172)	(10.1%)
Operating Margin	8.99%	9.97%	(1.0%)	(9.8%)
Net Other Income (Loss)	560	327	233	71.3%
Profit Before Income Tax	2,096	2,035	61	3.0%
Profit for the Year	1,660	1,516	144	9.5%
Net Margin	9.70%	8.80%	0.9%	10.2%
Profit for the Year Attributable to Owners of the Parent Company	1,676	1,519	157	10.3%
Profit for the Year Attributable to Non-controlling Interests	(16)	(3)	(13)	433.3%
EBITDA(1)	4,603	4,701	(98)	(2.1%)
EBITDA Margin	26.90%	27.40%	(0.5%p)	(1.8%)

(1) EBITDA: Sum of operating income and depreciation and amortization expenses (including depreciation and amortization expenses related to research and development)

A. Operating Revenue

The Company's operating revenue for the year ended December 31, 2016 decreased 0.3% from the previous year, primarily due to a decrease in interconnection revenue.

B. Operating Profit

The Company's operating income for the year ended December 31, 2016 decreased 10.1% from the previous year, primarily due to an increase in costs related to the business expansion of its subsidiaries, including marketing costs relating to SK Planet.

C. Operating Expense

(Unit: in billions of Won, except percentages)

	For the year ended December 31, 2016	For the year ended December 31, 2015	Change from 2015 to 2016	Percentage Change from 2015 to 2016
Labor Cost	1,870	1,894	(24)	(1.3%)
Commissions Paid	5,377	5,207	170	3.3%
Advertising	438	405	33	8.1%
Depreciation and Amortization(1)	3,068	2,993	75	2.5%
Network Interconnection	954	958	(4)	(0.4%)
Leased Line Fees	208	200	8	4.0%
Frequency License Fees	187	190	(3)	(1.6%)
Cost of Products that have been Resold	1,838	1,956	(118)	(6.0%)
Others	1,616	1,627	(11)	(0.7%)
Total Operating Expense	15,556	15,430	126	0.8%

(1) Includes depreciation and amortization expenses related to research and development.

Labor cost for the year ended December 31, 2016 decreased 1.3% from the previous year primarily due to a decrease in costs in connection with SK Telecom's periodic early retirement program, offset in part by an increase in the number of employees hired in connection with the expansion of the Company's new businesses.

Commissions paid for the year ended December 31, 2016 increased 3.3% from the previous year primarily due to an increase in costs related to the subsidiaries' business expansion, offset in part by a decrease in marketing expenses relating to our wireless business in light of a stabilized competitive environment.

Depreciation and amortization expenses increased 2.5% from the previous year mainly due to an increase in capital expenditures by the Company for its LTE network and an increase in amortization expenses for its frequency licenses.

5. Analysis of SK Telecom's Separate Operating Information

A. Number of Subscribers

(Unit: in 1,000 persons, except percentages)

	For the year ended December 31, 2016	For the year ended December 31, 2015	Change from 2015 to 2016	Percentage Change from 2015 to 2016
Subscribers	29,595	28,626	969	3.4%
Net Increase	969	348	621	178.4%
Activations	6,095	5,993	102	1.7%
Deactivations	5,127	5,645	(518)	(9.1%)
Monthly Churn Rate (%)	1.5%	1.5%	-	-
Average Subscribers	29,193	28,315	878	3.1%
Smartphone Subscribers	21,877	20,622	1,255	6.1%
LTE Subscribers	21,078	18,980	2,098	11.1%

The number of LTE subscribers as of December 31, 2016 was 21.08 million. The growth in LTE subscribers is expected to be the basis for long-term future growth. The number of smartphone subscribers as of December 31, 2016 was 21.88 million and constituted 74% of all SK Telecom subscribers.

B. Average Monthly Revenue per Subscriber

	For the year ended December 31, 2016	For the year ended December 31, 2015	Change from 2015 to 2016	Percentage Change from 2015 to 2016
Billing Average Monthly Revenue per Subscriber (Won)	35,355	36,582	(1,227)	(3.3%)

* The billing average monthly revenue per subscriber ("ARPU") is derived by dividing total SK Telecom revenues from voice service and data service (but excluding revenue from MVNO subscribers) for the period by the monthly average number of subscribers that are not MVNO subscribers for the period, then dividing that number by the number of months in the period. Although the definition of ARPU may vary by company, it is a measure that is widely used in the telecommunications industry for revenue comparison purposes.

In 2016, increases in second devices and the number of subscribers who elected to receive discounted rates in lieu of handset subsidies led to an decrease in average revenue per subscriber to Won 35,355, a 3.3% decrease compared to the previous year.

6. Guidance for Fiscal Year 2017

The Company announced the following guidance for fiscal year 2017 during its earnings release conference call on February 3, 2017.

1. Operating revenue (consolidated): Won 17.8 trillion
2. SK Telecom's capital expenditures (separate): Won 2.0 trillion
3. Cash dividends: The Company will decide on the level of cash dividends taking into consideration various factors such as the overall business environment and the Company's financial condition.

7. Liquidity

As of December 31, 2016, the Company's debt-to-equity ratio (as calculated based on the interest-bearing financial debt) was 45.7% compared to 49.2% as of December 31, 2015. The net debt-to-equity ratio (as calculated based on the interest-bearing financial debt minus cash and marketable securities) was 33.1% and 39.4% at the end of 2016 and 2015, respectively. Interest coverage ratio (EBITDA / interest expense) was 15.8 at the end of each of 2016 and 2015. The Company continues to have sufficient liquidity.

8. Financing

As of December 31, 2016, the Company's aggregate interest bearing debt amounted to Won 7,370 billion, comprising long-term and short-term borrowings, debentures and current portion of long-term borrowings, which decreased by 2.5% from Won 7,557 billion as of December 31, 2015.

9. Investments

The Company did not make any significant investments in 2016.

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS

1. Board of Directors

A. Overview of the Composition of the Board of Directors

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

(As of March 24, 2017)

Total number of persons	Inside director	Non-executive director	Independent directors
6	Jung Ho Park	Dae Sik Cho	Dae Shick Oh, Jae Hoon Lee, Jae Hyeon Ahn, Jung Ho Ahn

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

B. Significant Activities of the Board of Directors

Meeting	Date	Agenda	Approval
384th (the 1st meeting of 2016)	January 21, 2016	- Approval of the spin-off and merger of SK Planet's location-based services business and other businesses - 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 - Transactions of goods, services and assets with SK Planet in 2016	Approved as proposed Approved as proposed Approved as proposed
385th (the 2nd meeting of 2016)	February 3, 2016	- Financial statements as of and for the year ended December 31, 2015 - Annual business report as of and for the year ended December 31, 2015 - Delegation of funding through long-term borrowings in 2016 - Lease contract with SK Broadband - Report of internal accounting management - Report for the period after the fourth quarter of 2015	Approved as proposed Approved as proposed Approved as proposed Approved as proposed — —
386th (the 3rd meeting of 2016)	February 18, 2016	- Convocation of the 32nd General Meeting of Shareholders - Report of internal accounting management	Approved as proposed —
387th (the 4th meeting of 2016)	March 2, 2016	- Approval of the spin-off and merger contract with SK Planet - Additional investment in Oneand Co., Ltd.	Approved as proposed Approved as proposed
388th (the 5th meeting of 2016)	March 18, 2016	- Election of the chairman of the Board of Directors - Election of committee members - Additional procurement of LTE frequency bands - Transactions with SK Holdings in the second quarter of 2016 - Transactions regarding corporate bonds with affiliated company (SK Securities) - Financial transactions with affiliated company (SK Securities)	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed 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

Meeting	Date	Agenda	Approval
390th (the 7th meeting of 2016)	April 28, 2016	- Provision of funds for management of the 2016 SUPEX meeting - Report for the period after the first quarter of 2016	Approved as proposed
391st (the 8th meeting of 2016)	May 20, 2016	- Payment of newly allocated LTE frequency bandwidths - Application for reallocation of the 2.1GHz frequency bandwidth	Approved as proposed Approved as proposed
392nd (the 9th meeting of 2016)	June 23, 2016	- Transactions with SK Holdings in the third quarter of 2016 - Transactions with SK China Investment Management Company Limited - Allocation of operating costs in 2016 relating to the strategy and technology planning department - Transactions regarding corporate bonds with affiliated company (SK Securities) - Financial transactions with affiliated company (SK Securities) - Additional capital expenditure plans for LTE network in 2016	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed —
393rd (the 10th meeting of 2016)	July 28, 2016	- Distribution of interim dividends - Report on the financial statements for the first half of 2016 - Report for the period after the second quarter of 2016 - Joint venture plans related to FinTech	Approved as proposed — — —
394th (the 11th meeting of 2016)	September 22, 2016	- Transactions with SK Holdings in the fourth quarter of 2016 - Capital contribution of shares of Neosnetworks - Transactions regarding corporate bonds with affiliated company (SK Securities) - Financial transactions with affiliated company (SK Securities)	Approved as proposed Approved as proposed Approved as proposed Approved as proposed
395th (the 12th meeting of 2016)	November 24, 2016	- Comprehensive share exchange with SK Communications - Maintenance contract with SK Forest - Lease contract re Mt. Indeung SUPEX Center - Business aircraft maintenance contract for 2017 - Report for the period after the third quarter of 2016 - Report on compliance and effectiveness evaluation	Approved as proposed Approved as proposed Approved as proposed Approved as proposed — —
396th (the 13th meeting of 2016)	December 16, 2016	- Business management plan for 2017 - Transactions with SK Holdings in the first quarter of 2017 - Transactions with SK Infosec for 2017 - Base station maintenance contract for 2017 - Construction of fixed-line and wireless networks for 2017 - Resale of fixed-line products with SK Broadband for 2017 - Customer contact channel operation for 2017 - Approval of the issuance limit for asset-backed short-term bonds - Transactions related to corporate bonds with SK Securities - Transactions related to fund management with SK Securiti es - Purchase of PS&M terminal bonds for 2017 - Report on the sale of shares of POSCO	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed —
397th (the 1st meeting of 2017)	January 4, 2017	- Approval of share exchange agreement with SK Communi cations	Approved as proposed

Meeting	Date	Agenda	Approval
398th (the 2nd meeting of 2017)	February 2, 2017	- Financial statements as of and for the year ended Decem ber 31, 2016 - Annual business report as of and for the year ended December 31, 2016 - Delegation of funding through long-term borrowings in 2017 - Lease contract with SK Broadband - Approval of IT SM transactions in 2017 - Report of internal accounting management - Report for the period after the fourth quarter of 2016	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed — —
399th (the 3rd meeting of 2017)	February 23, 2017	- Plan for the 33rd General Meeting of Shareholders - Amendment to the regulations of the Board of Directors - Report of internal accounting management	Approved as proposed Approved as proposed —
400th (the 4th meeting of 2017)	March 24, 2017	- Election of the chief executive officer - Election of the chairman of the Board of Directors - Election of committee members - Transactions with SK Holdings in the second quarter of 2017 - Amendment to the regulations of the Board of Directors - Transactions related to corporate bonds with SK Securiti es - Transactions related to fund management with SK Securi ties	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed

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

C. Committees within Board of Directors

(1) Committee structure (as of March 24, 2017)

(a) Compensation Review Committee

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

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

(b) Capex Review Committee

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

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

(c) Corporate Citizenship Committee

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

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

(d) Independent Director Nomination Committee

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

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

(e) Audit Committee

Total number of persons	Members		Task
	Inside Directors	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 March 24, 2017 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 - Construction of fixed-line and wireless networks in 2016 - Contract for payment of customer appreciation gifts in 2016 - Service contract with SKTCH	— — Approved as proposed Approved as proposed Approved as proposed Approved as proposed
The 2nd meeting of 2016	February 17, 2016	- 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 - Agenda and document review for the 32nd General Meeting of Shareholders - Auditor's report for fiscal year 2015	— — Approved as proposed Approved as proposed 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 - Contract for maintenance services of transmission equipment in 2016	Approved as proposed Approved as proposed
The 4th meeting of 2016	April 27, 2016	- Election of the chairman - Purchase of supplies from Happynarae Co., Ltd. - Remuneration for outside auditor for fiscal year 2016 - Outside auditor service plan for fiscal year 2016 - Audit plan for fiscal year 2016	Approved as proposed Approved as proposed Approved as proposed Approved as proposed —
The 5th meeting of 2016	July 27, 2016	- Report on the outside auditor's review of the first half of fiscal year 2016 - Review of business and audit results for the first half of 2016 and business and audit plans for the second half of 2016	— —
The 6th meeting of 2016	September 22, 2016	- Construction of fixed-line and wireless networks in 2016	Approved as proposed
The 7th meeting of 2016	November 23, 2016	- Contract for fixed-line networks in 2017	Approved as proposed
The 8th meeting of 2016	December 15, 2016	- Transactions with SK Planet for 2017 - Transactions with SK TechX for 2017 - Transactions with SK Wyverns for 2017 - Contract with Onestore for 2017 - Commission to recollect accounts receivable for 2017 - Contract for exchange maintenance for 2017 - Telecommunications equipment lease contract for 2017	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed

Meeting	Date	Agenda	Approval
The 1st meeting of 2017	February 1, 2017	- Evaluation of internal accounting management system operation	—
		- Review of business and audit results for the second half of 2016 and business and audit plans for 2017	—
		- Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	Approved as proposed
		- Contract for payment of customer appreciation gifts in 2017	Approved as proposed
		- Purchase of supplies from Happynarae Co., Ltd.	Approved as proposed
The 2nd meeting of 2017	February 22, 2017	- Report on the IFRS audit of fiscal year 2016	—
		- Report on review of 2016 internal accounting management system	—
		- Evaluation of internal accounting management system operation	Approved as proposed
		- Agenda and document review for the 33rd General Meeting of Shareholders	Approved as proposed
		- Auditor's report for fiscal year 2016	Approved as proposed
The 3rd meeting of 2017	March 23, 2017	- Contract for maintenance services of optical cables in 2017	Approved as proposed
		- Contract for maintenance services of transmission equipment in 2017	Approved as proposed
		- Consulting for innovation in corporate social responsibility	Approved as proposed

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

3. Shareholders' Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders' Rights

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

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

Also, neither written or electronic voting system is applicable. Minority shareholder rights were not exercised during the relevant period.

VII. SHAREHOLDERS

1. Shareholdings of the Largest Shareholder and Related Persons

A. Shareholdings of the Largest Shareholder and Related Persons

(As of December 31, 2016) (Unit: in shares and percentages)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period		End of Period	
			Number of shares	Ownership ratio	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 December 31, 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 December 31, 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)

(As of December 31, 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
	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.

2. Distribution of Shares

A. Shareholders with ownership of 5% or more and others

(As of December 31, 2016) (Unit: in shares and percentages)

Rank	Name (title)	Common share		
		Number of shares	Ownership ratio	Remarks
1	Citibank ADR	8,809,104	10.91%	—
2	SK Holdings	20,363,452	25.22%	—
3	SK Telecom	10,136,551	12.55%	Treasury shares
4	National Pension Service	7,159,704	8.87%	—
Shareholdings under the Employee Stock Ownership Program		—	0.00%	—

B. Shareholder Distribution

(As of December 31, 2016) (Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	55,826	99.9%	34,275,422	42.45%	—

* 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		December 2016	November 2016	October 2016	September 2016	August 2016	July 2016
Common stock	Highest	232,500	226,500	232,500	226,000	228,000	232,000
	Lowest	224,000	217,000	216,000	216,000	218,500	214,500
	Average	229,500	221,773	224,025	220,079	223,023	221,690
Daily transaction volume	Highest	254,466	340,500	220,427	178,297	194,318	242,294
	Lowest	67,455	66,358	101,589	80,018	70,156	56,841
Monthly transaction volume		2,770,113	3,460,337	3,017,320	2,315,767	2,621,099	2,546,532

B. Foreign Securities Market

New York Stock Exchange (Unit: in U.S. dollars and number of American Depositary Receipts)

Types		December 2016	November 2016	October 2016	September 2016	August 2016	July 2016
Depositary receipt	Highest	22.36	21.77	22.60	22.60	22.97	23.17
	Lowest	20.85	20.71	21.46	21.12	21.70	20.48

	Average	21.64	21.19	22.00	21.90	22.33	21.68
Daily transaction volume	**Highest**	1,390,726	880,457	1,322,388	979,199	664,124	955,099
	Lowest	154,986	170,028	231,175	247,442	180,335	301,688
Monthly transaction volume		12,633,643	10,131,975	13,693,050	10,551,168	9,028,503	11,494,082

VIII. EMPLOYEES AND DIRECTORS

1. Employees

(As of December 31, 2016) (Unit: in persons and millions of Won)

Business segment	Gender	Number of employees					Average service year	Aggregate wage for the first nine months of 2016	Average wage per person
		Employees without a fixed term of employment		Employees with a fixed term of employment		Total			
		Total	Part-time employees	Total	Part-time employees				
—	Male	3,692	—	97	—	3,789	12.2	404,314	107
—	Female	550	—	60	—	610	9.6	46,139	76
Total		4,242	—	157	—	4,399	11.9	450,453	102

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

2. Compensation of Directors

A. Amount Approved at the Shareholders' Meeting

(As of December 31, 2016) (Unit: in millions of Won)

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

B. Amount Paid

B-1. Total Amount

(As of December 31, 2016) (Unit: in millions of Won)

Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
6	2,069	345	-

B-2. Amount by Classification

(As of December 31, 2016) (Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
Inside Directors	2	1,756	878	-
Independent Directors	1	78	78	-
Audit Committee Members	3	235	78	-
Auditor	-	-	-	

3. Individual Compensation of Directors

A. Amount Paid

(As of December 31, 2016) (Unit: in millions of Won)

Name	Title	Aggregate Amount Paid

Dong Hyun Jang	Chief Executive Officer and President	1,331

B. Method of Calculation

Name	Method of calculation
Dong Hyun Jang	Total remuneration • Won 1,331 million (consisting of Won 570 million in salary, Won 757 million in bonus and Won 4 million in other income). • Did not receive any other income or 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 compo sed of target incentive payments and profit sharing payments. • Bonus in the range of 0% to 200% of annual salary may be awarded by ev aluating the previous year's performance through certain financial indicato rs, including revenue and operating profit, and non-financial indicators, inc luding leadership, meeting the Company's strategy plans, expertise and ot her contributions. o Financial indicators: For the year ended December 31, 2015, the Company met its financial targets with revenue of Won 17.1 trilli on and operating profit of Won 1.7 trillion. o Non-financial indicators: Mr. Jang contributed to the Company's market leadership position despite intensified competition in the i ndustry (maintaining number one position in the industry by Nati onal Customer Satisfaction Index for the previous 18 years and n umber one quality of network according to top three agencies, inc luding KS-SQI an KCSI, and being first to commercialize L4 tec hnology globally) and further contributed to increasing the Comp any's corporate value through innovation in lifestyle enhancemen t, IoT solutions and media platforms and the first Korean launch o f smart home services. Other income • Other income consists of payment of medical expenses and long service reward.

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	Ending		
SK Wyverns	Affiliate	Long-term and short-term loans	1,017	—	203	814	—	—

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

A. Investment and Disposition of Investment

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Investment	Transaction date	Transaction items	Transaction amount
SK Telink	Affiliate	Capital contribution	Oct. 25, 2016	Registered common shares	63,967

B. Transfer of Assets

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Details					Remarks
		Transferred Assets	Purpose of Transfer	Date of Transfer	Purchase Price	Sale Price	
SK TechX	Affiliate	Machinery, equipment and computer software	Purchase of assets	September 23, 2016	815	—	—
Total					815	—	—

3. Transactions with the Largest Shareholder

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Investment	Transaction period	Transaction items	Transaction amount
PS&Marketing	Affiliate	Sales/ Purchases	January 1, 2016 to December 31, 2016	Marketing commissions, etc.	1,553,051
SK Broadband	Affiliate	Sales/ Purchases	January 1, 2016 to December 31, 2016	Interconnection revenues, etc.	667,500

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	Ending		
Baekmajang and others	Agency	Long-term and short-term loans	58,602	236,097	(229,551)	65,148	—	—
Daehan Kanggun BCN Inc.	Investee	Long-term loans	22,147	—	—	22,147	—	—
Wave City Development, Inc.	Investee	Short-term loans	1,890	1,100	(2,990)	—	—	—

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 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	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.

B. Summary Minutes of the General Meeting of Shareholders

Date	Agenda	Resolution
30th Fiscal Year Meeting of Shareholders (March 21, 2014)	1. Approval of the financial statements for the year ended December 31, 2013 2. Amendments to Articles of Incorporation 3. Election of directors - Election of an inside director - Election of an independent director - Election of an independent director - Election of an independent director 4. Election of an independent director as Audit Committee member 5. Approval of remuneration limit for directors	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Sung Min Ha) Approved (Jay Young Chung) Approved (Jae Hoon Lee) Approved (Jae Hyeon Ahn) Approved (Jae Hyeon Ahn) Approved (Won 12 billion)
31st Fiscal Year Meeting of Shareholders (March 20, 2015)	1. Approval of the financial statements for the year ended December 31, 2014 2. Amendments to Articles of Incorporation 3. Election of directors - Election of an inside director 4. Election of an independent director as Audit Committee member 5. Approval of remuneration limit for directors	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Dong Hyun Jang) Approved (Jae Hoon Lee) Approved (Won 12 billion)
32nd Fiscal Year Meeting of Shareholders (March 18, 2016)	1. Approval of the financial statements for the year ended December 31, 2015 2. Amendments to Articles of Incorporation 3. Election of directors - Election of an inside director - Election of an independent director 4. Election of an independent director as Audit Committee member 5. Approval of remuneration limit for directors 6. Amendments to executive payroll regulations	Approved (Cash dividend, Won 9,000 per share) Approved Approved (Dae Sik Cho) Approved (Dae Shick Oh) Approved (Dae Shick Oh) Approved (Won 12 billion) Approved

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

2. Contingent Liabilities

[SK Telecom]

A. Material Legal Proceedings

(1) Claim for copyright license fees regarding "Coloring" services

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

B. Other Contingent Liabilities

None.

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the plaintiff

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Others	September 2016	23,029	Pending before district court

(2) SK Broadband as the defendant

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status

(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 appellate court
Others		356,458	
Total		3,916,923	

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

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

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 728 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided "geun" mortgage amounting to Won 6.7 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

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

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 20.8 billion to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

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

[SK Planet]

A. Material Legal Proceedings

As of December 31, 2016, there were eight pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claim was Won 187.2 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

(1) Borrowings
As of December 31, 2016, SK Planet's borrowings from financial institutions are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Borrowing	Limit Amount	Borrowed Amount
KEB Hana Bank	Overdrafts	10,000,000	-
	Corporate credit card	70,000,000	49,198,296

(Unit: in thousands of Won)

Financial Institution	Borrowing	Limit Amount	Borrowed Amount
Shinhan Bank	Overdrafts	15,000,000	-
	Electronic accounts receivable bond	30,000,000	-
Nonghyup Bank	Corporate credit card	5,000,000	-
Total		130,000,000	49,198,296

(2) Payment guarantees
The material payment guarantees provided by third parties to SK Planet as of December 31, 2016 are set forth in the table below.

(Unit: in thousands of Won)

Recipient	Financial institution	Guarantee	Amount
SK Planet	Seoul Guarantee Insurance Company	Payment guarantee on e-commerce business	16,651,569
	KEB Hana Bank	Guarantee fulfillment of contractual obligations	2,382,618
		Other guarantees	500,000

[SK Telink]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

None.

[SK Communications]

A. Material Legal Proceedings

As of December 31, 2016, the aggregate amount of pending claims against SK Communications was Won 1,064 million. There were twelve pending cases relating to a leak of personal information of subscribers of NATE at various appellate courts and the Supreme Court in Korea. Among the pending cases, the district courts partially ruled against SK Communications in two cases and the claimed amounts with respect to such cases was Won 577 million.

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 December 31, 2016 are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Guarantee	Amount
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
	Provisional deposit guarantee insurance for bonds	190,000
	Provisional attachment of real estate	118,000
Total		1,008,000

[Neosnetworks]

A. Material Legal Proceedings

On June 21, 2016, a lawsuit was filed against Neosnetworks for damages of Won 40 million in connection with the installation of security services. 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

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.

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.

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 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 66 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: Designated contact persons for user protection of telecommunications billing services, provided contact information on the Company's website (February 2014), and paid the fine (August 2014).
- Company's Plan: Designate contact persons for user protection of telecommunications billing services and provide contact information to users.

(2) 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 million.
- 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.
- Status of Implementation: Implemented voluntary improvements to notify consumers of cancellation procedures for such purchase prior to decision by the Fair Trade Commission.
- Company's Plan: Implement the correctional order and pay the fine.

(3) Violation of the Telecommunications Business Act

- Date: May 28, 2015
- Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests through misleading and exaggerated advertisement of bundled media and telecommunications products).
- Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by inducing subscribers through misleading and exaggerated advertisements.
- Status of Implementation: Established plans to manage distribution network related to the misleading and exaggerated advertisements.
- Company's Plan: Make an official announcement about having received the correctional order and improve operational procedures.

(4) Violation of the Telecommunications Business Act

- Date: December 10, 2015

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

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

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

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

(5) Violation of the Telecommunications Business Act

- Date: September 27, 2016

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

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

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

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

(6) Violation of the Telecommunications Business Act

- Date: December 6, 2016

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

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

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

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

(7) Violation of the Internet Multimedia Broadcast Services Act

- Date: December 21, 2016

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

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

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

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

[SK Planet]

(1) Violation of the Electronic Financial Transactions Act

- Date: May 4, 2016

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

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

- Status of Implementation: Paid the fine.

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

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

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

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

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

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

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

(3) Violation of the Framework Act on Logistics Policies

- Date: November 10, 2016

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

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

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

[SK Telink]

(1) Violation of the Telecommunications Business Act

- Date: August 21, 2015
- Subject: SK Telink
- Sanction: SK Telink received a correctional order and a fine of Won 480 million.
- Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 and Article 50-2 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by failing to inform or giving false information about key terms of the contract and failing to deliver usage contract
- Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in a newspaper (October 2015), improved operating procedures related to recruitment of users through phone solicitation calls and paid the fine (October 2015).
- Company's Plan: Accurately inform consumers of key terms of the contract and distribute usage contract by mail after entering into contract.

(2) Violation of the Telecommunications Business Act

- Date: February 4, 2016
- Sanction: SK Telink received a correctional order and a fine of Won 49 million.
- Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by transferring account names of cell phone lines without subscribers' consent, changing phone numbers upon such transfer of account names, subscribing users to cell phone lines that exceed the maximum number of cell phone lines determined in the user agreement, opening accounts using a third party's name and transferring ownership of and reselling the account, changing account names with fabricated names of foreigners and changing accounts of cell phone lines owned by foreigners whose residency period in Korea has expired.
- Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in the press (May 2016) and paid the fine (May 2016).
- Company's Plan: Improve operating procedures to prevent its recurrence.

4. Important Matters That Occurred After December 31, 2016

[SK Communications]

Pursuant to the resolution of its board of directors on November 24, 2016, SK Communications entered into a comprehensive share exchange agreement with SK Telecom on November 25, 2016. Upon the consummation of the share exchange on February 7, 2017, SK Communications became a wholly-owned subsidiary of SK Telecom.

5. Use of Direct Financing

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

(As of December 31, 2016) (Unit: in millions of Won)

Classification	Closing Date	Proceeds	Planned Use of Proceeds	Actual Use of Proceeds	Reasons 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.

XII. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to Our Business

Competition may reduce our market share and harm our results of operations and financial condition.

We face substantial competition across all our businesses, including our wireless telecommunications business. We expect competition to intensify as a result of the development of new technologies, products and services. We expect that such trends will continue to put downward pressure on the prevailing rates we can charge our subscribers.

Historically, there has been considerable consolidation in the telecommunications industry, resulting in the current competitive landscape comprising three mobile and fixed network operators in the Korean market, us, KT Corporation ("KT") and LG Uplus Corp. ("LG U+"). Our competitors have substantial financial, technical, marketing and other resources to respond to our business offerings.

The collective market share of our competitors amounts to approximately 50.9%, in terms of number of wireless subscribers, as of December 31, 2016. We also compete for subscriber activations with MVNOs, including MVNOs that lease our networks. MVNOs generally provide rate plans that are relatively cheaper than similar rate plans of the wireless network providers from which they lease their networks, including us. In addition, other companies may enter the telecommunications service market by acquiring the required licenses from the MSIP. For example, in October 2015, Sejong Telecom, K Mobile and Quantum Mobile applied for licenses to become Korea's fourth mobile network operator. Although the MSIP rejected the applications of all three companies in January 2016, the MSIP may continue its efforts to find an eligible applicant to be Korea's fourth mobile network operator in the future.

We believe the increase in market share of MVNOs and the entrance of a new mobile network operator in the wireless telecommunications market may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

Our fixed-line telephone service competes with KT and LG U+, as well as other providers of voice over Internet protocol ("VoIP") services. As of December 31, 2016, our market share of the fixed-line telephone and VoIP service market was 15.2% (including the services provided by SK Broadband and SK Telink Co., Ltd. ("SK Telink") in terms of number of subscribers compared to KT with 57.8% and LG U+ with 17.4%. In addition, our broadband Internet access and Internet protocol TV ("IPTV") services provided through SK Broadband competes with other providers of such services, including KT, LG U+ and cable companies. As of December 31, 2016, our market share of the broadband Internet market was 25.3% in terms of number of subscribers compared to KT with 41.4% and LG U+ with 17.6%. As of December 31, 2016, our market share of the pay TV market (which includes IPTV, cable TV and satellite TV) was 13.1% compared to KT with 23.2% and LG U+ with 8.4% and the collective market share of other pay TV providers with 55.3%.

Continued competition from other wireless and fixed-line service providers has also resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In 2016, the monthly churn rate in our wireless telecommunications business ranged from 1.4% to 1.5%, with an average monthly churn rate of 1.5%, which remained unchanged from 2015. Intensification of competition in the future may cause our churn rates to increase, which in turn may cause us to increase our marketing expenses as a percentage of sales to attract and retain subscribers.

With respect to the e-commerce business operated by SK Planet Co., Ltd. ("SK Planet"), 11st, our marketplace business, faces intense competition from various e-commerce providers, including online open marketplaces such as Gmarket, Auction and Interpark and online social commerce operators such as Coupang, Ticket Monster and Wemakeprice. We also face competition from traditional retailers with online and mobile shopping portals such as SSG.com and Lotte.com, home shopping providers with online and mobile shopping portals such as CJ Mall by CJ O Shopping, GS Shop by GS Homeshopping and Hyundai Hmall by Hyundai Homeshopping, and various online marketplaces for specific consumer segments or product groups. The industry in which 11st competes is evolving rapidly and is intensely competitive, and we face a broad array of competitors domestically and increasingly, internationally.

Our ability to compete successfully in all of the businesses that we operate will depend on our ability to anticipate and respond to various competitive factors affecting the respective industries, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors.

Inability to successfully implement or adapt our network and technology to meet the continuing technological advancements affecting the wireless telecommunications industry will likely have a material adverse effect on our financial condition, results of operation, cash flows and business.

The telecommunications industry has been characterized by continual improvement and advances in technology, and this trend is expected to continue. We and our competitors have continually implemented technology upgrades from our basic code division multiple access ("CDMA") network to our wideband code division multiple access ("WCDMA") network, and subsequently to LTE technology. We commenced commercial LTE services in July 2011 at the same time with LG U+, while KT commenced its commercial LTE services in January 2012. In June 2013, we commenced providing commercial LTE-A services using carrier aggregation technology which combines spectrum frequencies to improve data transmission speeds, and in June 2014, we launched wideband LTE-A services of up to 225 Mbps and expanded coverage nationwide in 2014.

In December 2014, we commenced tri-band LTE-A services, which bundles three different bandwidths to allow faster network service at speeds of up to 300 Mbps in Seoul and other metropolitan areas. KT and LG U+ have also launched similar LTE-A services around the same time as us. Since then, we expanded coverage nationwide and as of December 31, 2015, the last date for which the MSIP has announced such information, the nationwide geographic coverage percentage of our tri-band LTE-A service was approximately 51.9%. The more successful operation of an LTE network or development of improved LTE technology by a competitor, including better market acceptance of a competitor's LTE services, could materially and adversely affect our existing wireless telecommunications businesses as well as the returns on future investments we may make in our LTE network or our other businesses. Additionally, in order to promote the growth of our IoT solutions business, we deployed new networks nationwide, namely our high-speed LTE-M network in March 2016 and our low-cost Low Power Wide Area Network based on LoRa technology (our "LoRa network") in July 2016. We believe that these new networks will support the active development and provision of diverse IoT solutions at a lower cost. For a more detailed description of our backbone networks, see "Item 4.B. Business Overview — Cellular Services — Digital Wireless Network."

Our business could also be harmed if we fail to implement, or adapt to, future technological advancements in the telecommunications sector in a timely manner, such as the implementation of 5G technology. In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, our results of operations could be adversely affected.

Implementation of LTE technology has required, and may continue to require, significant capital and other expenditures, which we may not recoup.

We have made, and intend to continue to make, capital investments to develop, launch and enhance our LTE service, including launching LTE-A services. In 2016, 2015 and 2014, we spent Won 1,104.0 billion, Won 1,022.7 billion and Won 1,357.2 billion, respectively, in capital expenditures to build and enhance our LTE network. We plan to make further capital investments related to our LTE and LTE-A services in the future. Our wireless technology-related investment plans are subject to change, and will depend, in part, on market demand for LTE and LTE-A services, the competitive landscape for provision of such services and the development of competing technologies. There may not be sufficient demand for services based on our latest wireless technologies, as a result of competition or otherwise, to permit us to recoup or profit from our wireless technology-related capital investments.

Our growth strategy calls for significant investments in new businesses and regions, including businesses and regions in which we have limited experience.

We seek growth through investments in new businesses. While we believe that entering into new businesses enables us to diversify our business portfolio, we may be exposed to additional risks. For example, in February 2012, we acquired a 21.1% equity stake in SK Hynix, one of the world's largest memory-chip makers by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder. From time to time, the memory semiconductor industry has experienced significant and sometimes prolonged downturns, which often occur in connection with a deterioration of global economic conditions, and is subject to intense competition. For example, SK Hynix and its subsidiaries, on a consolidated basis, incurred net losses of Won 158.8 billion and Won 56.0 billion in 2012 and 2011, respectively, primarily due to increased supply and weak demand for semiconductor products. Although the memory semiconductor industry has recovered since then and SK Hynix has been recording net profits since 2013, the industry is subject to cyclical fluctuations and we expect that there may be future downturns in the industry. Accordingly, SK Hynix's operating results would be adversely affected if it fails to compete successfully or decrease manufacturing costs at an adequate level. Since our share of any net losses incurred by SK Hynix would be reflected in our income statement as share of losses related to investments in associates, any significant loss of SK Hynix could have a material adverse effect on our results of operations.

We believe that we must continue to make significant investments to build, develop and broaden our existing businesses. Entering into new businesses and regions in which we have limited experience may require us to make substantial investments, and despite such investments, we may still be unsuccessful in these efforts to expand and diversify. We might not be able to recoup or profit from our investments in new businesses and regions. In addition, when we enter into these businesses and regions with partners through joint ventures or other strategic alliances, we and those partners may have disagreements with respect to strategic directions or other aspects of business, or may otherwise be unable to coordinate or cooperate with each other, any of which could materially and adversely affect our operations in such businesses and regions.

We may fail to successfully complete or integrate our new acquisitions and joint ventures and may fail to realize the anticipated benefits.

We continue to seek opportunities to develop new businesses that we believe are complementary to our existing product and service portfolio and expand our global business through selective acquisitions.

In 2014 and 2015, we acquired an 83.9% interest in Neosnetworks Co., Ltd. ("Neosnetworks"), a provider of residential and small business electronic security and other related alarm monitoring services, for an aggregate purchase price of approximately Won 64.0 billion and a 49.0% equity stake in Iriver Ltd. ("Iriver"), a manufacturer of digital audio players and other portable media devices, for an aggregate purchase price of approximately Won 54.5 billion. In October 2016, we acquired the remaining 16.1% interest in Neosnetworks through SK Telink. In 2014, a 95.2%-owned subsidiary of SK Planet acquired a 100.0% ownership interest in Shopkick Inc. ("Shopkick"), the developer of "shopkick," a mobile shopping application that checks in and rewards customers that arrive at a participating retail store in order to penetrate the mobile commerce market in the United States. For a more detailed description of our recent investments in new businesses, see "Item 5.B. Liquidity and Capital Resources — Capital Requirements — Investments in New Businesses and Global Expansion and Other Needs."

In addition, in November 2015, we entered into a share purchase agreement with CJ O Shopping Co., Ltd. ("CJ O Shopping") to acquire a 30.0% interest in CJ HelloVision, a fixed-line cable TV broadcast service provider, and SK Broadband entered into a merger agreement with CJ HelloVision. However, in July 2016, the Korea Fair Trade Commission denied approval of the proposed merger, which was a closing condition to the consummation of the merger agreement, and both the share purchase agreement and the merger agreement were subsequently terminated. Similarly, while we are hoping to benefit from a range of synergies from our recent or future acquisitions as well as develop new growth engines for our business, we may not be able to successfully complete or integrate such acquisitions or new businesses and may fail to realize the expected benefits in the near term, or at all.

Due to the existing high penetration rate of wireless telecommunications services in Korea, we are unlikely to maintain our subscriber growth rate, which could adversely affect our results of operations.

According to data published by the MSIP and the historical population data published by the Ministry of the Interior, the penetration rate for the Korean wireless telecommunications industry as of December 31, 2016 was approximately 111.3%, which is relatively high compared to many industrialized countries. Therefore, we expect that the penetration rate for wireless telecommunications service in Korea will remain relatively stable. As a result of the already high penetration rate in Korea for wireless telecommunications services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in the penetration rate without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

Our business and results of operations may be adversely affected if we fail to acquire adequate additional spectrum or use our bandwidth efficiently to accommodate subscriber growth and subscriber usage.

One of the principal limitations on a wireless network's subscriber capacity is the amount of spectrum available for use by the network. We currently use 10 MHz of bandwidth in the 800 MHz spectrum for our CDMA services, 40

MHz of bandwidth in the 2.1 GHz spectrum for our WCDMA services, 20 MHz of bandwidth in the 2.1 GHz spectrum, 20 MHz of bandwidth in the 800 MHz spectrum, 35 MHz of bandwidth in the 1.8 GHz spectrum and 60 MHz of bandwidth in the 2.6 GHz spectrum for our LTE services, as well as 30 MHz of spectrum in the 2.3 GHz band for our wireless broadband Internet ("WiBro") services.

The growth of our wireless data businesses has been a significant factor in the increased utilization of our bandwidth, since wireless data applications are generally more bandwidth-intensive than voice services. In particular, the increasing popularity of smartphones and data intensive applications among smartphone users has recently been a major factor for the high utilization of our bandwidth. This trend has been offset in part by the implementation of new technologies, such as our tri-band LTE-A technology, which enables more efficient usage of our bandwidth than was possible on our basic LTE network. However, if the current trend of increased data transmission use by our subscribers continues, or the volume of the multimedia content we offer through our wireless data services substantially grows, our bandwidth capacity requirements are likely to increase. While we believe that we can address the capacity constraint issue through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business, results of operations, financial position and cash flows. In the event we are unable to maintain sufficient bandwidth capacity, our subscribers may perceive a general slowdown of wireless telecommunications services. Growth of our wireless telecommunications business will depend in part upon our ability to effectively manage our bandwidth capacity and to implement efficiently and in a timely manner new bandwidth-efficient technologies if they become available. We cannot assure you that bandwidth constraints will not adversely affect the growth of our wireless telecommunications business.

We may choose to participate in frequency bandwidth auctions held by the MSIP in 2017, if any, in order to acquire bandwidths that are complementary to our existing network. We may be required to pay a substantial amount to acquire bandwidth capacity in order to meet increasing bandwidth demand and we may not be successful in acquiring the necessary bandwidth to meet such demand, which may adversely affect our financial condition and results of operations.

We rely on key researchers and engineers and senior management, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect our business.

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers. In particular, our focus on leading the market in introducing new services has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies. We also depend on the services of experienced key senior management, and if we lose their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all.

The loss of the services of any of our key research and development and engineering personnel or senior management without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on our operations.

We need to observe certain financial and other covenants under the terms of our debt instruments, the failure to comply with which would put us in default under those instruments.

Certain of our debt instruments contain financial and other covenants with which we are required to comply on an annual and semi-annual basis. The financial covenants with respect to SK Telecom's debt instruments include, but are not limited to, a maximum net debt-to-EBITDA ratio of 2.75 and a minimum interest coverage ratio of 4.00, each as determined on a separate financial statement basis. The debt arrangements also contain negative pledge provisions limiting our ability to provide liens on our assets as well as cross-default and cross-acceleration clauses, which give related creditors the right to accelerate the amounts due under such debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or indebtedness of our subsidiaries is capable of being declared payable before the stated maturity date. In addition, such covenants restrict our ability to raise future debt financing.

If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

We may have to make further financing arrangements to meet our capital expenditure requirements and debt payment obligations.

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 2,490.5 billion for capital expenditures in 2016. We expect to spend a similar amount for capital expenditures in 2017 compared to 2016 for a range of projects, including investments to improve and expand our LTE network and LTE-A services, investments to improve and expand our Wi-Fi network, investments to develop our platform services business portfolio and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to the development of new growth businesses, as well as initiatives related to our ongoing businesses in the ordinary course. If we acquire new bandwidths in any frequency bandwidth auctions held by the MSIP in 2017, we may be required to spend additional amounts on capital expenditures in connection with building out our networks on such new bandwidths.

In particular, we continue to make significant capital investments to expand and upgrade our wireless networks in response to growing bandwidth demand by our subscribers. Bandwidth usage by our subscribers has rapidly increased in recent years primarily due to the increasing popularity of smartphones and data intensive applications among smartphone users. If heavy usage of bandwidth-intensive services grows beyond our current expectations, we may need to invest more capital than currently anticipated to expand the bandwidth capacity of our networks or our customers may have a suboptimal experience when using our services. Any of these events could adversely affect our competitive position and have a material adverse effect on our business, financial condition, results of operation and cash flow. For a more detailed discussion of our capital expenditure plans and a discussion of other factors that may affect our future capital expenditures, see “Item 5.B. Liquidity and Capital Resources.”

As of December 31, 2016, we had approximately Won 1,542.8 billion in contractual payment obligations due in 2017, which mostly involve repayment of debt obligations and payments related to frequency licenses. See “Item 5.B. Liquidity and Capital Resources — Contractual Obligations and Commitments.”

We have not arranged firm financing for all of our current or future capital expenditure plans and contractual payment obligations. We have, in the past, obtained funds for our proposed capital expenditure and payment obligations from various sources, including our cash flow from operations as well as from financings, primarily debt and equity financings. Any material adverse change in our operational or financial condition could impact our ability to fund our capital expenditure plans and contractual payment obligations. Still volatile financial market conditions may also curtail our ability to obtain adequate funding. Inability to fund such capital expenditure requirements may have a material adverse effect on our financial condition, results of operations and business. In addition, although we currently anticipate that the capital expenditure levels estimated by us will be adequate to meet our business needs, such estimates may need to be adjusted based on developments in technology and markets. In the event we are unable to meet any such increased expenditure requirements or to obtain adequate financing for such requirements, on terms acceptable to us, or at all, this may have a material adverse effect on our financial condition, results of operations and business.

Termination or impairment of our relationship with a small number of key suppliers for network equipment and for leased lines could adversely affect our results of operations, financial position and cash flows.

We purchase wireless network equipment from a small number of suppliers. To date, we have purchased substantially all of the equipment for our networks from Samsung Electronics Co., Ltd. (“Samsung Electronics”), Ericsson-LG Co., Ltd. (“Ericsson-LG”) and Nokia Siemens Networks B.V. We believe Samsung Electronics currently manufactures approximately half of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in unanticipated costs in the maintenance and enhancement of our wireless networks. Inability to obtain the equipment needed for our networks in a timely manner may have an adverse effect on our business, financial condition, results of operations and cash flows.

We cannot assure you that we will be able to continue to obtain the necessary equipment from one or more of our suppliers. Any discontinuation or interruption in the availability of equipment from our suppliers for any reason could have an adverse effect on our results of operations. Inability to lease adequate lines at commercially reasonable rates may impact the quality of the services we offer and may also damage our reputation and our business.

Our business relies on technology developed by us, and our business will suffer if we are unable to protect our proprietary rights.

We own numerous patents and trademarks worldwide, and have applications for patents pending in many countries, including Korea, Japan, China and the United States, and in Europe. In addition to active research and development efforts, our success depends in part on our ability to obtain patents and other intellectual property rights covering our services.

We may be required to defend against charges of infringement of patent or other proprietary rights of third parties. Although we have not experienced any significant patent or other intellectual property disputes, we cannot be certain that any significant patent or other intellectual property disputes will not occur in the future. Defending our patent and other proprietary rights could require us to incur substantial expense and to divert significant resources of our technical and management personnel, and could result in our loss of rights to employ certain technologies to provide services.

Malicious and abusive Internet practices could impair our services.

Our wireless and fixed-line subscribers increasingly utilize our network to access the Internet and, as a consequence, we or they may become victim to common malicious and abusive Internet activities, such as unsolicited mass advertising (i.e., "spam"), hacking of personal information and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume to call centers and damage to our or our customers' equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to us to service our customers and protect our network. For example, in July 2011, there was a leak of personal information of subscribers of websites operated by SK Communications Co., Ltd. ("SK Communications"), our consolidated subsidiary. Various lawsuits have been filed against SK Communications alleging that the leak was caused by its poor management of subscribers' personal information. With respect to three of the lawsuits for which final judgments have been rendered, the relevant courts have rendered judgments in favor of SK Communications. As of December 31, 2016, twelve of the lawsuits, seeking damages of approximately Won 0.8 billion in aggregate, were pending at various district courts, various high courts and the Supreme Court of Korea. Any significant loss of our subscribers or revenue due to incidents of malicious and abusive Internet practices or significant increase in costs of serving those subscribers could adversely affect our business, financial condition and results of operations.

Labor disputes may disrupt our operations.

Although we are not experiencing any significant labor disputes, there can be no assurance that we will not experience labor disputes in the future, including protests and strikes, which could disrupt our business operations and have an adverse effect on our financial condition and results of operation.

Every two years, the union and management negotiate and enter into a new collective bargaining agreement that has a two-year duration, which is focused on employee benefits and welfare. Employee wages are separately negotiated on an annual basis. Although we consider our relations with our employees to be good, there can be no assurance that we will be able to maintain such a working relationship with our employees and will not experience labor disputes resulting from disagreements with the labor union in the future.

Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows.

Most of our businesses are subject to extensive governmental supervision and regulation. When the former president Park Geun-hye took office in February 2013, she announced that the Government will work toward reducing telecommunications service charges and promoting transparency in the decision making of telecommunications service providers. Accordingly, the Government has set detailed policy objectives to (1) gradually reduce and abolish initial subscription fees by 2015, (2) expand MVNO and mobile VoIP service, (3) intensify regulations on handset subsidies and (4) construct a data-based rate system.

Pursuant to the above policy objectives, the MSIP discussed with us, KT and LG U+ gradually reducing and abolishing initial subscription fees by 2015. Accordingly, we gradually reduced our initial subscription fees by 40% in August 2013 and again by an additional 50% in August 2014. Starting in November 2014, we ceased charging initial subscription fees to new subscribers. KT and LG U+ also gradually reduced the initial subscription fees that they charge and have ceased charging initial subscription fees to new subscribers as of March 31, 2015. Similarly, the Government has periodically reviewed the rates charged by wireless telecommunications service providers and has, from time to time, suggested rate reductions. Although these suggestions were not binding, we have implemented some rate reductions in response to such recommendations. The MSIP may suggest other rate reductions in the future and any further rate reductions we make in response to such suggestion may adversely affect our results of operations.

In furtherance of the above policy objectives, the Government also enacted the MDDIA, which became effective on October 1, 2014. The MDDIA was enacted for the purpose of establishing a transparent and fair distribution practice for mobile devices, and it limits the amount of subsidies a wireless telecommunications service provider can provide to subscribers in order to prevent excessive competition among wireless telecommunications service providers. Pursuant to the MDDIA, wireless telecommunications service providers are prohibited from (i) unfairly providing discriminatory subsidies based on criteria such as type of subscription, subscription plan and characteristics of the subscriber, (ii) providing subsidies exceeding a maximum limit established by the KCC (such limit to be determined between Won 250,000 and Won 350,000, which may be adjusted every six months, with the current limit set at Won 330,000, effective as of April 8, 2015) for the purchase of mobile phone models that were launched within the last 15 months, and (iii) entering into a separate agreement with subscribers imposing obligations to use a specific subscription plan as a condition for providing subsidies. In addition, under the MDDIA, wireless telecommunications service providers are obliged to provide certain benefits, such as discounted rates, to subscribers who subscribe to their service without receiving subsidies. The prohibition from providing mobile phone subsidies exceeding the amount set by the KCC is set to expire in September 2017 pursuant to the expiration of the three-year effective period of the relevant provision of the MDDIA. In the past, certain legislators have introduced bills that would abolish the ceiling on mobile phone subsidies, arguing that such action would be beneficial to consumers. We cannot provide assurance that an abolishment of the ceiling on mobile phone subsidies will not have a material adverse effect on our results of operations as we believe such an amendment to the MDDIA may lead to an increase in our marketing expenses and affect consumer behavior and our competitors in ways we cannot fully predict. See “Item 5. Operating and Financial Review and Prospects — Item 5.A. Operating Results — Overview — New Regulations Relating to Handset Subsidies.”

The Government also plays an active role in the selection of technology to be used by telecommunications operators in Korea. For example, the MIC adopted the WCDMA and CDMA2000 technologies as the only standards available in Korea for implementing third generation services. The MSIP may impose similar restrictions on the choice of technology used in future telecommunications services, and it is possible that technologies promoted by the Government in the future may not provide the best commercial returns for us.

Furthermore, the Government sets the policies regarding the use of frequencies and allocates the spectrum of frequencies used for wireless telecommunications. See “Item 4.B. Business Overview — Law and Regulation — Competition Regulation— Frequency Allocation.” The reallocation of the spectrum to our existing competitors could increase competition among wireless telecommunications service providers, which may have an adverse effect on our business.

Pursuant to the Telecommunications Business Act, certain wireless telecommunications service providers designated by the MSIP, which currently include only us, are required to lease their networks or allow use of their networks (collectively, “wholesale lease”) to other network service providers, such as an MVNO, that have requested such wholesale lease in order to provide their own services using the leased networks. To date, fourteen MVNOs have commenced providing wireless telecommunications services using the networks leased from us. We believe that leasing a portion of our bandwidth capacity to an MVNO would impair our ability to use our bandwidth in ways that would generate maximum revenues and would strengthen our MVNO competitors by granting them access and lowering their costs to enter into our markets. Accordingly, our profitability may be adversely affected.

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Our interconnection arrangements, including the interconnection rates we pay and interconnection rates we charge, affect our revenues and operating results. The MSIP determines the basic framework for interconnection arrangements, including policies relating to interconnection rates in Korea. The KCC, which determined such basic framework under the previous Government, changed the basic framework for interconnection arrangements several times. We cannot assure you that we will not be adversely affected by the MSIP’s interconnection policies and future changes to such policies. See “Item 4.B. Business Overview — Interconnection — Domestic Calls.”

In addition, the MSIP may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MSIP may levy a monetary penalty of up to 3.0% of the average of our annual revenue for the preceding three fiscal years. The KCC had the same authority in the previous Government and exercised such authority to suspend our business and impose fines on us. For information about the penalties imposed on us for violating Governmental regulations, see "Item 8.A. Consolidated Statements and Other Financial Information— Legal Proceedings — KCC and MSIP Proceedings." Such penalties, which may include the revocation of cellular licenses, suspension of business or imposition of monetary penalties by the MSIP, could have a material adverse effect on our business. We believe we are currently in compliance with the material terms of all our cellular licenses.

We are subject to additional regulations as a result of our dominant market position in the wireless telecommunications sector, which could harm our ability to compete effectively.

The Government endeavors to promote competition in the Korean telecommunications markets through measures designed to prevent a dominant service provider from exercising its market power and deterring the emergence and development of viable competitors. We have been designated by the MSIP as the "dominant network service provider" in respect of our wireless telecommunications business. As such, we are subject to additional regulations to which certain of our competitors are not subject. For example, under current Government regulations, we must obtain prior approval from the MSIP to raise our existing rates or introduce new rates. On June 24, 2016, the Government proposed a bill to the National Assembly to change the approval requirement to a simple reporting requirement, which is the requirement for our competitors. However, the bill is still under review by the relevant sub-committee and there is no assurance as to whether such bill will be passed. See "Item 4.B. Business Overview — Law and Regulation — Competition Regulation — Rate Regulation." The MSIP could also require us to charge higher usage rates than our competitors for future services or to take certain actions earlier than our competitors, as when the KCC required us to introduce number portability earlier than our competitors, KT and LG U+.

We also qualify as a "market-dominating business entity" under the Fair Trade Act, which subjects us to additional regulations, including the application of varied interconnection rates. For more information about the interconnection rates applicable to us and our competitors, see "Item 4.B. Business Overview — Interconnection."

The additional regulations to which we are subject has affected our competitiveness in the past and may materially hurt our profitability and impede our ability to compete effectively against our competitors in the future.

Concerns that radio frequency emissions may be linked to various health concerns could adversely affect our business and we could be subject to litigation relating to these health concerns.

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected share prices of some wireless telecommunications companies in the United States. In May 2011, the International Agency for Research on Cancer (the "IARC"), a part of the World Health Organization, announced that it has classified radiofrequency electromagnetic fields associated with wireless phone use as possibly carcinogenic to humans, based on an increased risk for glioma, a malignant type of brain cancer. The IARC conducts research on the causes of human cancer and the mechanisms of carcinogenesis and aims to develop scientific strategies for cancer control. We cannot assure you that these health concerns will not adversely affect our business. Several class action and personal injury lawsuits have been filed in the United States against several wireless phone manufacturers and carriers, asserting product liability, breach of warranty and other claims relating to radio transmissions to and from wireless phones. Certain of these lawsuits have been dismissed. We could be subject to liability or incur significant costs defending lawsuits brought by our subscribers or other parties who claim to have been harmed by or as a result of our services. In addition, the actual or perceived risk of wireless telecommunications devices could have an adverse effect on our business by reducing the number of our subscribers or the usage per subscriber.

Our ability to deliver services may be disrupted due to a systems failure, shutdown in our networks or natural disasters.

Our services are currently carried through our wireless and fixed-line networks, which could be vulnerable to damage or interruptions in operations due to fires, floods, earthquakes, power losses, telecommunication failures, network software flaws, unauthorized access, computer viruses and similar events. The occurrence of any of these events could impact our ability to deliver services and have a negative effect on our results of operations.

A global or Korean economic downturn may have a material adverse impact on our business and the ability to meet our funding needs, and could cause the market value of our common shares and American Depositary Shares ("ADSs") to decline.

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. In addition, the global financial markets continue to experience significant volatility as a result of, among other things, the slowdown of economic growth and financial instability in China and other major emerging market economies, as well as political and social instability in various countries, including countries in the Middle East and Northern Africa such as Iraq, Syria and Egypt, as well as Ukraine and Russia. In light of the high level of interdependence of the global economy, any of the foregoing factors may continue to negatively impact local economic conditions in Korea and global economic conditions and financial markets, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks related to changes in the global and Korean economic environments, changes in interest rates and instability in the global financial markets. Adverse global and Korean economic conditions may lead to overall decline and volatility in securities prices of Korean companies, including ours, which may result in trading and valuation losses on our trading and investment securities portfolio. Increases in credit spreads, as well as limitations on the availability of credit resulting from heightened concerns about the stability of the markets generally and the strength of counterparties specifically may lead many lenders and institutional investors to reduce or cease providing funding to borrowers, which may negatively impact our liquidity and results of operations. Major market disruptions and adverse changes in economic conditions and regulatory climate may further impair our ability to meet our desired funding needs. We cannot predict future changes in economic conditions. Adverse developments in the global or Korean economies or financial markets may have a material adverse effect on our business and the ability to meet our funding needs, as well as negatively affect the market value of our common shares and ADSs.

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on our results of operations and the market value of our common shares and ADSs.

Substantially all of our revenues are denominated in Won. Depreciation of the Won may materially affect our results of operations because, among other things, it causes:

- an increase in the amount of Won required by us to make interest and principal payments on our foreign currency-denominated debt; and
- an increase, in Won terms, of the costs of equipment that we purchase from overseas sources which we pay for in Dollars or other foreign currencies.

Fluctuations in the exchange rate between the Won and the Dollar will affect the Dollar equivalent of the Won price of the our common shares on the KRX KOSPI Market of the Korea Exchange (the "KRX KOSPI Market"). These fluctuations also will affect:

- the amounts a registered holder or beneficial owner of ADSs will receive from the American Depositary Receipt ("ADR") depositary in respect of dividends, which will be paid in Won to the ADR depositary and converted by the ADR depositary into Dollars;
- the Dollar value of the proceeds that a holder will receive upon sale in Korea of our common shares; and
- the secondary market price of our ADSs.

For historical exchange rate information, see "Item 3.A. Selected Financial Data — Exchange Rates."

Risks Relating to Korea

Unfavorable financial and economic developments in Korea may have an adverse effect on us.

We are incorporated in Korea, and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the economy is subject to many factors beyond our control.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has also fluctuated widely. See "Item 3.A. Selected Financial Data — Exchange Rates." A depreciation of the Won increases the cost of imported goods and services and the Won revenue needed by Korean companies to service foreign currency denominated debt. An appreciation of the Won, on the other hand, causes export products of Korean companies to be less competitive by raising their prices in terms of the relevant foreign currency and reduces the Won value of such export sales. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies in recent years. Future declines in the Korea Composite Stock Price Index (known as the "KOSPI") and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may continue to adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy in the future include:

- adverse conditions or uncertainty in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, as well as increased uncertainty in light of a future Brexit;

- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro, the Japanese yen or the Chinese renminbi exchange rates), interest rates, inflation rates or stock markets;

- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail or small- and medium-sized enterprise borrowers;

- continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

- decreases in the market prices of Korean real estate;

- declines in consumer confidence and a slowdown in consumer spending;

- the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China's economy, which is Korea's most important export market;

- the recent political scandal in Korea involving a confidant of the President and the resulting public protests, as well as related investigations of large Korean conglomerates and their senior management for bribery, embezzlement and other possible misconduct;

- social and labor unrest;
- decreases in the market prices of Korean real estate;
- a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean conglomerates;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- the economic impact of any pending or future free trade agreements;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea (such as the sinking of the Sewol ferry in 2014, which significantly dampened consumer sentiment in Korea) or its major trading partners;
- the occurrence of severe health epidemics in Korea and other parts of the world, such as the Middle East Respiratory Syndrome outbreak in Korea in 2015;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing controversy between Korea and China regarding the deployment of a Terminal High Altitude Area Defense system in Korea by the United States);
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or increase in the price of oil;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.

Political and societal unrest surrounding the impeachment of President Park Geun-hye could adversely affect the Korean economy and our business.

In November 2016, the Korean prosecutor's office indicted a confidant of President Park Geun-hye who had allegedly used her ties with the President to extort donations from Korean business groups for two non-profit foundations over which she is purported to have substantial influence, as well as a number of current and former presidential aides, on charges of, among others, abuse of power, coercion and leaking classified documents. On November 30, 2016, a special independent prosecutor was appointed to conduct an investigation of the extent of the

President's involvement, and mass weekend rallies have been held in Seoul and other cities both to protest against, and to express support for, President Park.

On December 9, 2016, the National Assembly voted in favor of impeaching President Park for a number of alleged constitutional and criminal violations, including violation of the Constitution and abuse of power by allowing her confidant to exert influence on state affairs and allowing senior presidential aides to aid in her extortion from companies. President Park was suspended from power immediately, with the prime minister simultaneously taking over the role of acting President. On March 10, 2017, the Constitutional Court unanimously upheld the parliamentary vote to impeach President Park, triggering her immediate dismissal. A special election to elect a new President is scheduled to be held on May 9, 2017. In connection with its investigation of former President Park, the special independent prosecutor also conducted related investigations of several large Korean business groups and members of their senior management for bribery, embezzlement and other possible misconduct, which the Korean prosecutor's office has continued following the end of the special independent prosecutor's term. There is no assurance that such events will not have a material adverse effect on the Korean economy and on our business, financial condition and results of operations.

Escalations in tensions with North Korea could have an adverse effect on us and the market value of our common shares and ADSs.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-un, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military and other actions against Korea. Some of the significant incidents in recent years include the following:

- From time to time, North Korea has conducted ballistic missile tests. In February 2016, North Korea launched a long-range rocket in violation of its agreement with the United States as well as United Nations sanctions barring it from conducting launches that use ballistic missile technology. Despite international condemnation, North Korea released a statement that it intends to continue its rocket launch program and it conducted additional ballistic missile tests in June 2016, a submarine-launched ballistic missile test in August 2016 and intermediate-range ballistic missile tests in February and March 2017. In February and March 2017, the United Nations Security Council issued unanimous statements condemning North Korea and agreeing to continue to closely monitor the situation and to take further significant measures.

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In January 2016, North Korea conducted a fourth nuclear test, claiming that the test involved its first hydrogen bomb, which claim has not been independently verified. In response to such test (as well as North Korea's long-range rocket launch in February 2016), the United Nations Security Council unanimously passed a resolution in March 2016 condemning North Korea's actions and significantly expanding the scope of the sanctions applicable to North Korea, while the United States and the European Union also imposed additional sanctions on North Korea. In September 2016, North Korea conducted a fifth nuclear test, claiming to have successfully detonated a nuclear warhead that could be mounted on ballistic rockets, which claim has not been independently verified.

- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas. High-ranking officials from North Korea and Korea subsequently entered into an agreement on August 25, 2015 intended to diffuse military tensions.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. There can be no assurance that the level of tension affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on our business, results of operations and financial condition and the market value of our common shares and ADSs.

Korea's legislation allowing class action suits related to securities transactions may expose us to additional litigation risk.

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (1) false or inaccurate statements provided in the registration statements, prospectuses, business reports, audit reports, semi-annual or quarterly reports and material fact reports and omission of material information in such documents, (2) insider trading, (3) market manipulation and (4) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from the operation of a business. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Securities

If SK Holdings causes us to breach the foreign ownership limitations on our common shares, we may experience a change of control.

The Telecommunications Business Act currently sets a 49.0% limit on the aggregate foreign ownership of our issued shares. Under the Telecommunications Business Act, as amended, a Korean entity, such as SK Holdings Co., Ltd. ("SK Holdings"), is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15.0% or more of the issued voting stock of the Korean entity. As of December 31, 2016, SK Holdings owned 20,363,452 shares of our common stock, or approximately 25.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of December 31, 2016, which we believe was 40.8%) would exceed the 49.0% ceiling on foreign shareholding. As of December 31, 2016, the two largest foreign shareholders of SK Holdings each held a 3.50% stake therein.

If our aggregate foreign shareholding limit is exceeded, the MSIP may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and the foreign shareholder which owns in the aggregate 15.0% or more of SK Holdings. Furthermore, if SK Holdings is considered a foreign shareholder, it will be prohibited from exercising its voting rights with respect to the shares held in excess of the 49.0% ceiling, which may result in a change in control of us. In addition, the MSIP will be prohibited from granting us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49.0%. For a description of further actions that the MSIP could take, see "Item 4.B. Business Overview — Law and Regulation — Foreign Ownership and Investment Restrictions and Requirements."

Sales of our shares by SK Holdings and/or other large shareholders may adversely affect the market value of our common shares and ADSs.

Sales of substantial amounts of our common shares, or the perception that such sales may occur, could adversely affect the prevailing market value of our common shares or ADSs or our ability to raise capital through an offering of our common shares.

As of December 31, 2016, SK Holdings owned 25.22% of our total issued common shares and has not agreed to any restrictions on its ability to dispose of our shares. See "Item 7.A. Major Shareholders." We can make no prediction as to the timing or amount of any sales of our common shares. We cannot assure you that future sales of our common shares, or the availability of our common shares for future sale, will not adversely affect the prevailing market value of our common shares or ADSs from time to time.

If an investor surrenders his or her ADSs to withdraw the underlying shares, he or she may not be allowed to deposit the shares again to obtain ADSs.

Under the deposit agreement, holders of our common shares may deposit those shares with the ADR depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the ADR depositary and receive our common shares. However, under the terms of the deposit agreement, as amended, the depositary bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of our common shares represented by ADSs, which was 9,106,281 shares as of March 31, 2017, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depositary bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3.0% of our common shares. See "Item 10.B. Memorandum and Articles of Association — Description of American Depositary Shares." It is possible that we may not give the consent. Consequently, an investor who has surrendered his or her ADSs and withdrawn the underlying shares may not be allowed to deposit the shares again to obtain ADSs.

An investor in our ADSs may not be able to exercise preemptive rights for additional new shares and may suffer dilution of his or her equity interest in us.

The Korean Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer a right to subscribe for additional new common shares or any other rights of similar nature, the ADR depositary, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The ADR depositary, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

- a registration statement filed by us under the Securities Act is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from, or is not subject to, the registration requirements of the Securities Act.

We are under no obligation to file any registration statement with respect to any ADSs. If a registration statement is required for an ADS holder to exercise preemptive rights but is not filed by us, the ADS holder will not be able to exercise his or her preemptive rights for additional shares. As a result, ADS holders may suffer dilution of their equity interest in us.

Short selling of our ADSs by purchasers of securities convertible or exchangeable into our ADSs could materially adversely affect the market price of our ADSs.

SK Holdings, through one or more special purpose vehicles, has engaged and may in the future engage in monetization transactions relating to its ownership interest in us. These transactions have included and may include offerings of securities that are convertible or exchangeable into our ADSs. Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or similar transactions. Since a monetization transaction could involve debt securities linked to a significant number of our ADSs, we expect that a sufficient quantity of ADSs may not be immediately available for borrowing in the market to facilitate settlement of the likely volume of short selling activity that would accompany the commencement of a monetization transaction. This short selling and similar hedging activity could place significant downward pressure on the market price of our ADSs, thereby having a material adverse effect on the market value of ADSs owned by you.

A holder of our ADSs may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this document and substantially all of our assets are located in Korea. As a result, it may not be possible for holders of our ADSs to effect service of process within the United States, or to enforce against us any judgments obtained from the United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

We are generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies, which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the SEC and listed on the New York Stock Exchange (the "NYSE"), we are, and in the future will be, subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the NYSE. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information available could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances.

As we are a Korean company and operate in a business and cultural environment that is different from that of other countries, there are risks associated with investing in our securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Korean Foreign Exchange Transactions Law, if the Government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Strategy and Finance for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange.