

SK TELECOM CO LTD
Form 6-K
April 26, 2019
Table of Contents

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF April 2019
COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

Euljiro65(Euljiro2-ga), Jung-gu
Seoul 100-999, Korea

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If Yes is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b):
82-

Table of Contents

ANNUAL BUSINESS REPORT

(From January 1, 2018 to December 31, 2018)

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.

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

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

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

The Company's annual business report for the year ended December 31, 2018 includes the following consolidated subsidiaries:

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2018 (millions of Won)	Material Subsidiary*
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	493,849	Material
SK M&Service Co., Ltd.	Feb. 10, 2000	Online information services	96,524	Material
SK Communications Co., Ltd.	Sept. 19, 1996	Internet portal and other Internet information services	79,646	Material
SK Broadband Co., Ltd.	Sept. 5, 1997	Fixed-line telecommunication services, multimedia and IPTV services	4,353,132	Material
Home & Service Co., Ltd.	June 5, 2017	Information and telecommunication network maintenance	89,275	Material
SK Stoa Co., Ltd.	Dec. 1, 2017	Data broadcasting and commercial retail platform services	41,305	
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	147,691	Material
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	432,699	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	76,770	Material
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	74,360	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	81,773	Material
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	753,630	Material
Iriver Ltd.	Jul. 12, 2000	Audio device manufacturing	200,063	Material
Iriver Enterprise Ltd.	Jan. 14, 2014	Management of Chinese subsidiary	37,835	
Iriver Inc.	Feb. 15, 2007	North America marketing and sales	2,191	

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Iriver China Co., Ltd.	Jun. 24, 2004	Electronic device manufacturing	2,907
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	117
groovers Japan Co., Ltd.	Feb. 25, 2015	Contents and information distribution	1,086
Life Design Company Japan Inc.	June 25, 2008	Japanese merchandise business	7,670
groovers Inc.	Feb. 25, 2000	Contents distribution	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment (holding company)	47,879
SK Global Healthcare Business Group, Ltd.	Sept. 14, 2012	Investment (SPC)	25,610
SK Planet Japan, K. K.	Mar. 14, 2012	Digital contents sourcing services	21,072
SKP GLOBAL HOLDINGS PTE, LTD.	Aug. 10, 2012	Investment (holding company)	329

Table of Contents

Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2018 (millions of Won)	Material Subsidiary*
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	31,392	
SKP America LLC	Jan. 27, 2012	Digital contents sourcing services	343	
YTK Investment Ltd.	Jul. 1, 2010	Investment	3,307	
Atlas Investment	Jun. 24, 2011	Investment	87,447	Material
SK Telecom Innovation Fund, L.P.	Jan. 15, 2016	Investment	47,879	
SK Telecom China Fund I L.P.	Sept. 14, 2011	Investment	19,896	
Onestore Co., Ltd.	Mar. 1, 2016	Contents distribution	116,716	Material
Shopkick Management Company, Inc.	Oct. 9, 2014	Investment	332	
Shopkick, Inc.	Jun. 1, 2009	Mileage based e-commerce application development	33	
SK Telecom Japan Inc.	Mar. 1, 2018	Information collection and management consulting services		
id Quantique Ltd.	Oct. 29, 2001	QRNG technology development		
Eleven Street Co., Ltd.	Sept. 1, 2018	E-commerce and Internet-related services		
SK TELINK VIETNAM Co., Ltd.	Aug. 30, 2018	Sale of telecommunication devices		
Quantum Innovation Fund I	Dec. 3, 2018	Investment		
Life & Security Holdings Co., Ltd.	Mar. 21, 2014	Holding company		
ADT CAPS Co., Ltd.	Jan. 22, 1971	Unmanned security		
CAPSTEC Co., Ltd.	Jan. 1, 2005	Manned security		
ADT SECURITY Co., Ltd.	Nov. 28, 2001	Sales and trade of anti-theft devices and surveillance devices		
SK Infosec Co., Ltd.	Jun. 26, 2000	Information security service		
Id Quantique LLC	Jul. 27, 2018	Quantum information and communications service		

*

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

Total assets as of December 31, 2018 are not provided for subsidiaries established or newly consolidated during the reporting period.

S.M. Life Design Company Japan Inc. changed its name to Life Design Company Japan Inc.

On March 28, 2019, Iriver Ltd. changed its name to Dreamus Company at its general meeting of shareholders.

Table of Contents

Changes in subsidiaries during the year ended December 31, 2018 are set forth below.

Change	Name	Remarks
Additions	SK Telecom Japan Inc.	Newly established by the Company
	groovers Inc.	Iriver Ltd. acquired control by acquiring additional equity interest
	id Quantique Ltd.	Newly acquired by the Company
	Eleven Street Co., Ltd.	Spun-off from SK Planet Co., Ltd.
	SK TELINK VIETNAM Co., Ltd.	Newly established by SK Telink Co., Ltd.
	Quantum Innovation Fund I	Newly acquired by the Company
	Life & Security Holdings Co., Ltd.	Newly acquired by the Company
	ADT CAPS Co., Ltd.	Subsidiary of Life & Security Holdings Co., Ltd.
	CAPSTEC Co., Ltd.	Subsidiary of Life & Security Holdings Co., Ltd.
	ADT SECURITY Co., Ltd.	Subsidiary of Life & Security Holdings Co., Ltd.
Exclusions	SK Infosec Co., Ltd.	Newly acquired by the Company
	Id Quantique LLC	Newly established by id Quantique SA
	11street (Thailand) Co., Ltd.	Disposed of equity investment through sale to Thailand's PM Group (not a related party)
	Hello Nature Co., Ltd.	Lost control due to a capital increase through a third-party allotment
	SK TechX Co., Ltd.	Merged into SK Planet Co., Ltd.
	SK Planet Global PTE. Ltd.	Liquidated
	S.M. Mobile Communications JAPAN Inc.	Merged into groovers Japan Co., Ltd.
	NSOK Co., Ltd.	Merged into ADT CAPS Co., Ltd.
SKT Vietnam PTE. Ltd.	Liquidated	

A. Corporate Legal Business Name: SK Telecom Co., Ltd.**B. Date of Incorporation: March 29, 1984****C. Location of Headquarters**

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

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

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

D. Major Businesses

(1) Wireless business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. The Company continues to maintain its reputation as the unparalleled premium network operator in the 2G, 3G and LTE markets on the basis of its technological leadership and network management technology. In addition, the Company is leading the process of global technology standardization with the aim of being the world's first to commercialize 5G technology.

Table of Contents

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, as well as its 5G network, 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, artificial intelligence (AI) and mobility. 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 AI.

(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 11st, an e-commerce platform service that connects various sellers and purchasers through its online and mobile platforms. In addition, the Company continues to expand its e-commerce businesses by providing differentiated shopping-related services covering shopping information, product search and purchases, relying on the strength of the Company's core principles of innovation supported by its advanced technological capabilities, including AI-based commerce search technology and customized recommendations based on big data analysis. The Company seeks to continue evolving as a commerce portal by strengthening its high-margin product categories, such as fashion and beauty.

In the online-to-offline (O2O) area, the Company is a leading player and continues to expand its market power with OK Cashbag, Korea's largest loyalty mileage program, SyrupWallet, which offers smart shopping services utilizing its network of business partners and information technology such as big data, and other Syrup-related services such as gifticon and 11Pay. The Company focuses on the mobile platform to connect various on- and offline commerce service platforms that provide various benefits and information at the right place and the right time to give consumers a pleasant and convenient shopping experience and retailers an integrated marketing solution to reach their target

audience. The Company intends to continue its efforts to secure the market leading position in these markets.

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

The Company is also engaged in display advertising and search engine-based advertising and provides contents and other services. Display advertising provides exposure to the advertiser's brand in the form of flash media, images or videos. Search engine-based advertising provides exposure through the search results of specific keywords entered in the NATE search engine, and is utilized mostly by small and medium-sized advertisers. The Company also derives revenue by providing contents and other services.

See II.1. Business Overview for more information.

Table of Contents**E. Credit Ratings**

(1) Corporate bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
February 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
February 19, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 27, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
May 11, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
May 12, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 19, 2016	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
May 20, 2016	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 12, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
October 30, 2017	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
February 5, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Current rating
February 6, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
April 10, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Regular rating
April 11, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Regular rating
April 16, 2018	Corporate bond	AAA (Stable)	NICE Investors Service, Co., Ltd.	Regular rating
May 29, 2018	Hybrid securities	AA+ (Stable)	Korea Ratings	Current rating
August 31, 2018	Corporate bond	AAA (Stable)	Korea Ratings	Current rating
August 31, 2018	Corporate bond	AAA (Stable)	Korea Investors Service, Inc.	Current rating
August 31, 2018	Corporate bond	AAA (Stable)	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.

* Rating definition: AA The certainty of principal and interest payment is extremely high with very low investment risk, but has slightly inferior factors compared to AAA rating.

Table of Contents

(2) Commercial paper (CP)

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
January 19, 2016	Short-term bond	A1	Korea Ratings	Current rating
January 19, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
January 19, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
April 27, 2016	CP	A1	Korea Ratings	Current rating
April 27, 2016	Short-term bond	A1	Korea Ratings	Current rating
May 11, 2016	CP	A1	Korea Investors Service, Inc.	Current rating
May 11, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
May 12, 2016	CP	A1	NICE Investors Service Co., Ltd.	Current rating
May 12, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
October 26, 2016	CP	A1	Korea Ratings	Regular rating
October 26, 2016	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 26, 2016	Short-term bond	A1	Korea Ratings	Regular rating
November 3, 2016	CP	A1	Korea Investors Service, Inc.	Regular rating
November 3, 2016	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
April 12, 2017	CP	A1	Korea Ratings	Current rating
April 12, 2017	CP	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 12, 2017	Short-term bond	A1	Korea Ratings	Current rating
April 12, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 12, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
October 30, 2017	CP	A1	Korea Ratings	Regular rating
October 30, 2017	CP	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
October 30, 2017	Short-term bond	A1	Korea Ratings	Regular rating
October 30, 2017	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
October 30, 2017	Short-term bond	A1	NICE Investors Service Co., Ltd.	Regular rating
April 10, 2018	CP	A1	Korea Investors Service, Inc.	Current rating
April 10, 2018	Short-term bond	A1	Korea Investors Service, Inc.	Current rating
April 11, 2018	CP	A1	Korea Ratings	Current rating
April 11, 2018	Short-term bond	A1	Korea Ratings	Current rating
April 16, 2018	CP	A1	NICE Investors Service Co., Ltd.	Current rating
April 16, 2018	Short-term bond	A1	NICE Investors Service Co., Ltd.	Current rating
August 31, 2018	CP	A1	Korea Ratings	Regular rating

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August 31, 2018	CP	A1	Korea Investors Service, Inc.	Regular rating
August 31, 2018	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
August 31, 2018	Short-term bond	A1	Korea Ratings	Regular rating
August 31, 2018	Short-term bond	A1	Korea Investors Service, Inc.	Regular rating
August 31, 2018	Short-term bond	A1	NICE Investors Service Co., Ltd.	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.

Table of Contents

(3) International credit ratings

Date of credit rating	Subject of rating	Credit rating of securities	Credit rating agency	Rating type
March 30, 2016	Bonds denominated in foreign currency	A- (Stable)	S&P Global Ratings	Regular rating
July 20, 2016	Bonds denominated in foreign currency	A- (Stable)	S&P Global Ratings	Regular rating
October 24, 2016	Bonds denominated in foreign currency	A- (Stable)	Fitch Ratings	Regular rating
October 23, 2017	Bonds denominated in foreign currency	A- (Stable)	Fitch Ratings	Regular rating
April 8, 2018	Bonds denominated in foreign currency	A- (Stable)	S&P Global Ratings	Current rating
April 9, 2018	Bonds denominated in foreign currency	A3 (Stable)	Moody s Investors Service	Current rating
May 8, 2018	Bonds denominated in foreign currency	A- (Stable)	S&P Global Ratings	Regular rating
May 10, 2018	Bonds denominated in foreign currency	A3 (Negative)	Moody s Investors Service	Regular rating
October 15, 2018	Bonds denominated in foreign currency	A- (Negative)	Fitch Ratings	Regular rating

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

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

2. Company History

June 2015: Comprehensive exchange of shares of SK Broadband

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. (SK Planet)

December 2017: Comprehensive exchange of shares of SK Telink Co., Ltd. (SK Telink)

December 2018: Comprehensive exchange of shares of SK Infosec Co., Ltd. (SK Infosec)

A. Location of Headquarters

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

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

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

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

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

B. Significant Changes in Management

At the 30th General Meeting of Shareholders held on March 21, 2014, Jae Hoon Lee was elected as an independent director and Jae Hyeon Ahn was elected as an independent director and member of the audit committee of the Company's board of directors. At the 31st General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was elected as an inside director. At the 32nd General Meeting of Shareholders held on March 18, 2016, Dae Sik Cho was re-elected as an inside director and Dae Shick Oh was re-elected as an independent director and member of the audit committee of the Company's board of directors. At the 33rd General Meeting of Shareholders held on March 24, 2017, Jung Ho Park was elected as an inside director and Dae Sik Cho was elected as a non-executive director. Jae Hoon Lee and Jae Hyeon Ahn were re-elected as independent directors and members of the audit committee and Jung Ho Ahn was elected as an independent director. At the 34th General Meeting of Shareholders held on March 21, 2018, Young Sang Ryu was elected as an inside director and Youngmin Yoon was elected as an independent director and member of the audit committee of the Company's board of directors. At the 35th General Meeting of Shareholders held on March 26, 2019, Seok-Dong Kim was elected as an independent director and member of the audit committee of the Company's board of directors.

Table of Contents

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 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.

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

On March 28, 2019, Iriver Ltd., one of the Company's subsidiaries, changed its name to Dreamus Company in accordance with a resolution at its general meeting of shareholders.

D. Mergers, Acquisitions and Restructuring

(1) Acquisition of shares of PS&Marketing

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

(2) Disposition of shares of iHQ Inc.

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

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

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

(4) Acquisition of shares of Iriver

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

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

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

Table of Contents

(6) Disposition of Shenzhen E-Eye shares

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

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

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

(8) Comprehensive share exchange of SK Broadband

On March 20, 2015, the Company's board of directors resolved to approve a share exchange transaction 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.

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

(9) Establishment of Entrix Co., Ltd.

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

an additional 2,857,000 shares by participating in the recapitalization.

(10) Additional capital raise by NanoEnTek Inc.

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

(11) Reclassification of Packet One Networks accounts

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

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

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

Table of Contents

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

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

(14) Tender offer of shares of CJ HelloVision

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

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

In March 2016, SK Planet spun off its platform business and T Store business and established SK TechX Co., Ltd. (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, 2018, the Company had a 65.5% interest in Onestore.

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

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

(17) Establishment of Hana-SK Fintech Corporation

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

(18) Capital contribution of shares of NSOK for new shares of SK Telink

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

(19) Acquisition of shares of SM Mobile Communications

In October 2016, the Company transferred the media platform businesses Hotzil and 5Ducks to SM Mobile Communications in exchange for 1,200,000 shares of SM Mobile Communications. As a result, the Company owned a 46.2% equity interest in SM Mobile Communications as of December 31, 2018.

Table of Contents

(20) Exchange of shares of SK Communications

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

(21) Acquisition of shares of Iriver

The Company acquired 4,699,248 shares of Iriver at a purchase price of Won 5,320 in connection with a capital contribution. The Company's equity interest in Iriver following the acquisition is 45.9%. See Report on Important Business Matters (Decision on Capital Increase) filed on July 17, 2017 by Iriver for more information.

(22) Acquisition of newly issued shares of SK China Company Limited (SK China)

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

(23) Exchange of shares of SK Telink

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

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

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

(25) Acquisition of shares of id Quantique SA

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

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

The Company acquired shares of Siren Holdings Korea Co., Ltd. (SHK), which wholly owns ADT CAPS Co., Ltd. (ADT CAPS), in order to strengthen its security business and expand its residential customer base. See Report on Decision on Acquisition of Shares of Siren Holdings Korea Co., Ltd. filed on May 8, 2018 for more information.

- * Siren Investments Korea Co., Ltd. merged with and into SHK with SHK as the surviving entity, following which CAPSTEC Co., Ltd. and ADT Security Co., Ltd., which were subsidiaries of ADT CAPS, became subsidiaries of SHK.
- * SHK changed its name to Life & Security Holdings Co., Ltd. in accordance with a resolution at its extraordinary meeting of shareholders on October 23, 2018.

Table of Contents

(27) Capital increase of Iriver

On July 26, 2018, the board of directors of Iriver, a subsidiary of the Company, resolved to approve a capital increase of Won 70,000 million through third-party allotment and subsequently issued 7,990,867 common shares. The Company participated in the capital increase and paid Won 65,000 million to subscribe 7,420,091 common shares of Iriver on August 10, 2018, resulting in an increase of the Company's ownership interest from 45.9% to 53.7%.

(28) Exchange of shares of SK Infosec

On October 26, 2018, the Company announced the decision of its board of directors to approve the comprehensive exchange of shares of SK Infosec for shares of the Company. The share exchange ratio was one common share of the Company to 0.0997678 common share of SK Infosec. The share exchange was completed on December 27, 2018, upon which SK Infosec 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.

(4) Establishment of a subsidiary

On May 23, 2017, SK Broadband's board of directors resolved to approve the establishment of a subsidiary. On June 5, 2017, SK Broadband established Home & Service Co., Ltd. (Home & Service), a subsidiary responsible for the management of customer service operations, in order to enhance SK Broadband's competitiveness by strengthening its customer service and strategically developing its home Value Delivery channel and to create quality jobs. Home & Service was incorporated by SK Broadband under the Korean Commercial Code. The subsidiary was capitalized at Won 46 billion (9,200,000 shares with par value of Won 5,000 per share), and SK Broadband holds a 100% equity interest. The Korea Fair Trade Commission approved the subsidiary's incorporation as an SK affiliate on July 1, 2017, from which arises a duty to report to the Fair Trade Commission.

Table of Contents**(5) Spin-off**

On August 16, 2017, SK Broadband's board of directors resolved to approve the spin-off of its T-commerce subsidiary to enhance the competitiveness and managerial efficiency of its T-commerce business (data broadcasting and commercial retail platform service through TV home shopping channels) through a spin-off and subsequent establishment of a subsidiary pursuant to Article 530-2 and 530-12 of the Korean Commercial Code, with both companies from the simple vertical spin-off remaining as existing companies. The spin-off was effective as of December 1, 2017, and the subsidiary was capitalized at Won 15 billion (3,000,000 shares with par value of Won 5,000 per share), with SK Broadband holding a 100% equity interest. The Korea Fair Trade Commission approved the subsidiary's incorporation as an SK affiliate on January 1, 2018, from which arises a duty to report to the Fair Trade Commission.

[SK Planet]

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

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

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

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

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

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

On July 17, 2017, the board of directors of SK Planet resolved to (1) spin-off SK Planet's advertising agency business as a newly established company, SM Contents & Communications, in order to strengthen the competitiveness of the business for future growth, which spin-off was effective as of October 1, 2017 and (2) sell 100% of its shares of SM Contents & Communications to SM Culture & Contents Co., Ltd. to further concentrate business capabilities and efficiently allocate management resources. The closing date of the sale transaction was October 24, 2017.

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

June 19, 2018 for more information.

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

Table of Contents

[SK Telink]

(1) Acquisition of shares of NSOK

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

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

(2) Comprehensive exchange of shares

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

Following the exchange, there were no changes to SK Telecom's share ownership interest level or to management structure, and SK Telecom and SK Telink will remain as corporate entities. SK Telink became a wholly-owned subsidiary of SK Telecom and remains as an unlisted corporation, while SK Telecom remains as a listed corporation. See Report on Cash Consideration for Shares of SK Telink Co., Ltd. filed on September 29, 2017 for more information about this transaction.

(3) Disposal of NSOK shares

Pursuant to the resolution of its board of directors on October 8, 2018, SK Telink entered into an agreement to sell 1,012,459 shares of NSOK (representing a 100.00% equity interest) to Life & Security Holdings Co., Ltd. The date of sale was October 10, 2018, and the sale consideration amount was Won 100 billion. See Report on Disposal of Shares of Related Party filed on October 8, 2018 by SK Telink for more information about this transaction.

[NSOK]

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

(2) NSOK decided to merge itself into ADT CAPS to create synergies and achieve management efficiency through the combination of assets, technology and management resources. The effective date of the merger was

December 1, 2018, and the merger ratio was 1:0. See Report on Decision to Merge NSOK filed on October 10, 2018 for more information about this transaction.

[SK Communications]

(1) Disposition of the Cyworld service

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

Table of Contents

(2) Change in the largest shareholder

On September 24, 2015, SK Telecom and SK Planet entered into a share transfer agreement to transfer all of the shares of SK Communications held by SK Planet to SK Telecom. The agreement became effective on October 1, 2015, making SK Telecom the largest shareholder of SK Communications.

(3) Comprehensive share exchange

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

[PS&Marketing]

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

[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) Acquisition of shares of S.M. Life Design Company Japan Inc.

Pursuant to the resolution of its board of directors on July 17, 2017, Iriver approved a contract to acquire a total of 1,000,000 shares of S.M. Life Design Company Japan Inc. (a 100% equity interest) from S.M. Entertainment Japan Co., Ltd. with the purposes of entering foreign markets and maximizing business synergy. Iriver acquired control of S.M. Life Design Company Japan Inc. upon its completion of payment for the shares on September 1, 2017.

(3) Merger of S.M. Mobile Communications JAPAN Inc.

Pursuant to the resolution of its board of directors on July 17, 2017, Iriver decided to merge with S.M. Mobile Communications JAPAN Inc., a contents and information distribution company, with the purpose of reinforcing its contents based device business and enhancing managerial efficiency. As of October 1, 2017, Iriver merged S.M. Mobile Communications JAPAN Inc. into it with a merger ratio of 1:1.6041745, based on which Iriver issued 4,170,852 new common shares.

(4) Acquisition of shares of groovers Inc.

On February 23, 2018, the Company acquired 414,000 additional shares (a 55.8% equity interest) of groovers Inc. (Groovers), which provides high quality sound services such as FLAC (Free Lossless Audio Codec), MQS (Mastering Quality Sound) and DSD (Direct Stream Digital) from NHN Bugs Corp. and individuals. As a result, the Company acquired control of Groovers as its equity interest therein increased from 44.2% to 100%.

(5) Acquisition of important assets (Supply and distribution rights for music and digital contents)

On February 28, 2018, the Company entered into an agreement with S.M. Entertainment Co., Ltd. to acquire supply and distribution rights for music and digital contents of S.M. Entertainment Co., Ltd., JYP Entertainment Corporation and Big Hit Entertainment. Through this arrangement, the Company plans to increase sales by entering the music and sound recording industries and to create synergies through strategic alliances.

Table of Contents

(6) Merger between subsidiaries

In order to achieve management efficiency and maximize organizational operation synergies, groovers Japan Co., Ltd. and SM Mobile Communications Japan Inc., each of which is a Japanese subsidiary of the Company, completed their merger with groovers Japan Co., Ltd. as the surviving entity, effective as of July 1, 2018.

(7) Investment in Groovers

On July 26, 2018, the board of directors of the Company resolved to make an equity investment of Won 11,000 million (2,200,000 common shares) in Groovers for the purposes of providing operating funds to improve its financial structure and pursue new businesses. Payment was completed on July 27, 2018, and the Company's ownership interest after such equity investment is 100%.

(8) Transfer of Music Mate business between Groovers and SK TechX

On August 31, 2018, pursuant to the resolutions of its board of directors and the extraordinary meeting of shareholders, each of which was held on June 28, 2018, Groovers acquired all properties, assets and rights related to the Music Mate streaming service from SK TechX for Won 3,570 million.

[SK M&Service]

(1) Acquisition of SK Planet's BENEPIA business

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

E. Other Important Matters related to Management Activities

[SK Telecom]

(1) Issuance of bonds

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

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

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

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

Table of Contents

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

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

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

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

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

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

On April 16, 2018, the Company issued fixed-rate U.S. dollar-denominated bonds in the principal amount of US\$500 million (with an annual interest rate of 3.75% and a maturity date of April 16, 2023).

On September 17, 2018, the Company issued three tranches of fixed-rate unsecured bonds in the principal amounts of Won 100 billion (with an annual interest rate of 2.098% and a maturity date of September 17, 2021), Won 150 billion (with an annual interest rate of 2.330% and a maturity date of September 17, 2023) and Won 50 billion (with an annual interest rate of 2.436% and a maturity date of September 17, 2038).

(2) Issuance of hybrid securities

In 2018, the Company issued an aggregate of Won 400 billion principal amount of hybrid securities in the form of two series of unguaranteed subordinated bonds, Won 300 billion of which have an annual interest rate of 3.704% and Won

100 billion of which have an annual interest rate of 3.654%. Both of such interest rates are based on the five-year Korean government bond yield plus a spread. For both series of the hybrid securities, an additional spread of 0.25% is payable beginning ten years from the date of issuance and an additional spread of 0.75% is payable after 25 years from the date of issuance. The maturity date of the hybrid securities is June 7, 2078, which can be extended by the Company without any notice or announcement.

Table of Contents**[SK Broadband]**

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

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

(As of December 31, 2018)

(Unit: in shares)

Classification	Share type		Total	Remarks
	Common shares	Preferred shares		
I. Total number of authorized shares	220,000,000		220,000,000	
II. Total number of shares issued to date	89,278,946		89,278,946	
III. Total number of shares retired to date	8,533,235		8,533,235	
a. reduction of capital				
b. retirement with profit	8,533,235		8,533,235	
c. redemption of redeemable shares				
d. others				
IV. Total number of shares (II-III)	80,745,711		80,745,711	
V. Number of treasury shares	8,875,883		8,875,883	
VI. Number of shares outstanding (IV-V)	71,869,828		71,869,828	

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

of December 31, 2018)

Acquisition methods	Type of shares	At the beginning of period	Changes			At the end of period	
			Acquired (+)	Disposed (-)	Retired (-)		
Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea (FSCMA)	Direct acquisition from market	Common shares Preferred shares	10,136,551	1,260,668		8,875,883	
	Direct acquisition	Direct over-the-counter acquisition	Common shares Preferred shares				
		Tender offer	Common shares Preferred shares				
		Sub-total	Common shares Preferred shares	10,136,551	1,260,668		8,875,883
	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 Preferred shares	10,136,551	1,260,668		8,875,883	

4. Status of Voting Rights

(As of December 31, 2018)

(Unit: in shares)

Classification		Number of shares	Remarks
Total shares (A)	Common share	80,745,711	
	Preferred share		
Number of shares without voting rights (B)	Common share	8,875,883	Treasury shares
	Preferred share		
Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C)	Common share		
	Preferred share		
Shares with restricted voting rights pursuant to Korean law (D)	Common share		
	Preferred share		
Shares with reestablished voting rights (E)	Common share		
	Preferred share		
The number of shares with exercisable voting rights (F = A - B - C - D + E)	Common share	71,869,828	
	Preferred share		

Table of Contents

5. Dividends and Others

A. Dividends

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

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

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

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

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

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

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

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

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

- (7) Distribution of cash dividends was approved during the 35th General Meeting of Shareholders held on March 26, 2019.

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

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

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

Classification	As of and for the year ended December 31, 2018	As of and for the year ended December 31, 2017	As of and for the year ended December 31, 2016
Par value per share (Won)	500	500	500
(Consolidated) Net income	3,127,887	2,599,829	1,675,967
Net income per share (Won)	44,066	36,582	23,497
Total cash dividend	718,698	706,091	706,091
Total stock dividends (Consolidated)			
Percentage of cash dividend to available income (%)	23.0	27.2	42.1
Cash dividend yield ratio (%)	3.7	3.6	4.3
Stock dividend yield ratio (%)			
Cash dividend per share (Won)	10,000	10,000	10,000
Stock dividend per share (share)			

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

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

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

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

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

Onestore Co., Ltd.	Operate app store
SK Communications Co., Ltd.	Integrated portal services through NATE and instant messaging services through NATE-ON
Iriver Ltd.	Audio and video device manufacturing
SK M&Service Co., Ltd.	System software development, distribution, technical support services and other online information services
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.

Table of Contents

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, business-to-business (B2B) businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly.

In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized. Since June 2017, through the commercialization of 5band CA technology, which is considered the final stage of LTE development, the Company has provided 4.5G service at the speed of 700Mbps to 900Mbps. Since early 2018, the Company was the first to start providing LTE services with a speed of up to 1 Gbps. Such achievements were the building blocks towards the Company's LTE penetration reaching 80.3% as of December 31, 2018.

B. Growth Potential

Classification		(Unit: in 1,000 persons)		
		As of December 31,		
		2018	2017	2016
Number of subscribers	SK Telecom	27,382	26,753	26,428
	Others (KT, LGU+)	29,989	28,375	27,018
	MVNO	7,989	7,523	6,841
	Total	65,360	62,651	60,287

* Source: Wireless subscriber data from the Ministry of Science and ICT (MSIT) as of December 31, 2018.

C. Domestic and Overseas Market Conditions

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. Sales revenue related to data services has been growing due to the increasing popularity of smartphones and high-speed wireless networks. There is also a growing importance to the B2B segment, which creates added value by selling and developing various solutions. The telecommunications industry is a regulated industry requiring license and approval from the MSIT.

In the wireless business, industry players compete on the basis of the following three main competitive elements:

(i) brand competitiveness, which refers to the overall sense of recognition and loyalty experienced by customers with respect to services and values provided by a company, including the images created by a company's comprehensive activities and communications on top of the actual services rendered;

(ii) product and service competitiveness, which refers to the fundamental criteria for wireless telecommunications services, including voice quality, service coverage, broad ranges of rate plans, diversified mobile Internet services, price and quality of devices and customer service quality, as well as the ability to develop new services that meet customer needs in a market environment defined by convergence; and

(iii) sales competitiveness, which refers to novel and diversified marketing methods and the strength of the distribution network.

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

	(Unit: in percentages)			
	As of December 31,			
Classification	2018	2017	2016	2015
Mobile communication services	47.3	48.2	49.1	49.4

* Source: Wireless subscriber data from the MSIT as of December 31, 2018.

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

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts.

As a result of a series of customer value innovation projects that the Company pursued in 2018, such as no-contract plans, safe roaming and the T Plan, its wireless subscribers continued to grow every quarter, achieving an annual net increase of approximately 185,000 subscribers to a total of 30.88 million subscribers (including MVNO subscribers) as of December 31, 2018. The annual churn rate has stabilized at a record low of 1.22%. In 2018, the Company recorded revenue of Won 16,874.0 billion and an operating profit of Won 1,201.8 billion on a consolidated basis, and revenue of Won 11,705.6 billion and an operating profit of Won 1,307.5 billion on a separate basis.

In the telecommunications technology domain, following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. The Company launched tri-band LTE-A services in December 2014 and 5band 4.5G services in June 2017. In the first quarter of 2018, the Company commenced providing LTE services of up to 1 Gbps by utilizing five-band carrier aggregation technology and 4T4R technology. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services and full high definition mobile IPTV streaming services, the Company has innovated its customers' data usage experience. In June 2018, the Company secured frequency bandwidths that are optimal for the commercialization of 5G services at a reasonable bid price. In the fourth quarter of 2018, the Company began to build its 5G networks, focusing on Seoul and other metropolitan areas. The Company began its first 5G transmission in December 2018 and is leading the way for the establishment of 5G networks with enhanced stability and security through the application of quantum cryptography communication and AI networks.

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 maintained its status as the company that has been ranked as number one for the longest consecutive period by all three of the customer satisfaction surveys conducted by Korea Management Association, Korea Productivity Center and Korea Standards Association. The Company received the highest level of evaluation in 2017 by the Korea Commission for Corporate Partnership for the sixth consecutive year and was selected for the commission's Honored Corporation Award, demonstrating the Company's efforts to be fair and law-abiding in its path towards creating a New ICT ecosystem.

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

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

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

channels and product development.

Table of Contents**[Fixed-line Business]****A. Industry Characteristics**

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

The high-speed Internet segment operates in a highly mature market. While the number of new subscribers has been decreasing, the segment has shown growth in specialized markets such as one-person households and SOHO (Small Office Home Office), as well as continued growth centered around the premium Giga-Internet services. In the case of IPTV services, the conversion rate to digital television in the overall paid broadcasting market has been increasing, and the proportion of IPTV subscribers among high-speed Internet users has been expanding. Although the total number of new subscribers in the segment has been decreasing, the segment is experiencing rapid growth in the consumption of paid contents due to changes in customer viewing patterns and the diversification of contents, and the platform business such as media advertising also continues to expand. In order to satisfy the diversifying needs of customers and the trend of combining or fusing services, industry players are providing differentiated contents and incorporating AI and big data technologies, resulting in increased competition in the industry. Such competition will present new growth opportunities in the home platform area in connection with the fourth industrial revolution in the future. For business customers, the Company is introducing new technologies and strengthening its competitiveness to secure a stable source of revenue, while expanding its efforts to secure competitiveness in new growth areas such as platform and solution businesses.

B. Growth Potential

		(Unit: in 1,000 persons)		
		As of December 31,		
Classification		2018	2017	2016
Fixed-line Subscribers	High-speed Internet	21,286	20,989	20,349
	Fixed-line telephone	14,334	15,039	15,746
	IPTV (real-time)	14,717	13,314	11,850

* Source: MSIT website.

* The number of IPTV subscribers is based on the relevant report released by the MSIT on November 21, 2018 and the number of subscribers as of December 31, 2018 was calculated based on the average number of subscribers in the first six months of 2018.

* The number of high-speed Internet subscribers as of December 31, 2016 and 2017 has been revised retroactively through consultation with the MSIT in order to reflect corrections in subscriber data collected by the Company.

C. Cyclical Nature and Seasonality

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

D. Domestic and Overseas Market Conditions

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

Classification	(Unit: in percentages)		
	As of December 31,		
	2018	2017	2016
High-speed Internet (including resales)	25.4	24.9	24.6
Fixed-line telephone (including Voice over Internet Protocol (VoIP)	16.8	16.9	16.9
IPTV	30.3	30.6	30.7

Table of Contents

- * Source: MSIT website.
- * With respect to Internet telephone, the market share was calculated based on market shares among the Company, KT and LG U+ and is based on the number of IP phone subscribers.
- * The market share of IPTV subscribers is based on the relevant report released by the MSIT on November 21, 2018 and the market share as of December 31, 2018 was calculated based on the average number of subscribers in the first six months of 2018.
- * The market share of high-speed Internet subscribers as of December 31, 2016 and 2017 has been revised retroactively through consultation with the MSIT in order to reflect corrections in subscriber data collected by the Company.

In each of its principal business areas, SK Broadband principally competes on the basis of price, service quality and speed. In the IPTV business, the ability to offer complex services and differentiated contents are becoming increasingly important. General telecommunications businesses operate in a licensed industry with a high barrier of entry, which is dominated by SK Broadband, KT and LG U+.

E. Business Overview and Competitive Strengths

For the year ended December 31, 2018, SK Broadband recorded Won 3,253.8 billion in revenue, Won 175.6 billion in operating profit and Won 136.7 billion in profit for the year on a consolidated basis. SK Broadband's revenue growth was primarily driven by increases in the number of IPTV subscribers and revenue from paid contents, and its non-operating profit increased due to the disposal of tangible assets pursuant to the sale of the Seocho IDC. The number of subscribers to each of its high-speed Internet, residential fixed-line telephones, VoIP services and IPTV services was 5.40 million, 2.25 million, 1.68 million and 4.73 million, respectively (resulting in the total number of telephone subscribers being 3.93 million subscribers). In addition, SK Broadband maintained its domestic and overseas credit ratings at the same level as the previous year and improved the stability of its financial structure by strengthening the foundation for growth through an improvement in profitability during 2018.

In the case of high-speed Internet, SK Broadband has continued to increase the proportion of subscribers of premium services, including its Giga Internet service, to approximately 34% and thereby enhanced the composition of its customers, by strengthening its marketing efforts based on quality and customer value improvements. With the launch of its Giga Premium Internet service in the first half of 2018 and the launch of the 10 Giga Internet service in the second half of 2018, SK Broadband has laid the foundation for an Internet service environment that can heighten the satisfaction of and value to its customers. SK Broadband will continue to expand the foundation for enhancing customer value and respond swiftly to changes in customers' needs and the market, thereby strengthening its competitiveness in the premium high-speed Internet market.

With continued increase in the number of subscribers and growth in revenue from paid contents, SK Broadband's IPTV service business continued its steady growth, with revenue in 2018 increasing by more than 20% compared to 2017. SK Broadband continued to offer differentiated services, such as the launch of B tv X NUGU, an AI-based set-top box with a voice search function, and the introduction of a new user interface with improved content access and search functions, in order to expand the subscribers' usage. In addition, SK Broadband strengthened the competitiveness of its contents by launching Living Fairy Tales, a service for children based on AR technology, and content recommendation solutions, as well as by diversifying product packaging. In the future, SK Broadband will continue to enhance the competitiveness of its services and customer satisfaction level by offering services that are tailored to various customer needs.

The number of oksusu subscribers and users has continued to increase due to marketing centered on sports programs, such as professional baseball and the Asian Games, and the competitiveness of its content offerings was improved

through the production of differentiated original content. In addition, oksusu continued to enhance its services for increased customer satisfaction, such as providing individualized menus and improving video quality and transmission methods with the implementation of new technologies.

In the case of its corporate business, SK Broadband expanded the coverage of its B2B services through investments in connection with the commercialization of 5G services, and the proportion of revenues from both the core business, which primarily focuses on fixed-line services, and the growth businesses, has expanded. The corporate business will improve its competitiveness with enhanced services based on the development of new technologies and continue its expansion in the ICT sector, such as IDC/CDN and convergence security, in order to overcome the stagnant growth of its existing services and secure a foundation for continued growth.

Table of Contents

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

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

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

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 mobile-centered online 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 continued rapid rise of mobile commerce. As various lifestyle services beyond goods are expanding as a new field in the commerce market industry, new business models continue to emerge and spread.

Table of Contents**(2) Digital contents**

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

D. Business Overview and Competitive Strengths

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

(2) Commerce business

11st, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market. Furthermore, 11st has established itself as the domestic market leader in mobile commerce, following its successful entry into and rapid growth in this market.

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.

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.

(3) Location-based services

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

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

The Company's instant messenger service, Nate-On, had a market share of 10.9% in the instant messenger market in Korea with 2.0 million net users during the month of December 2018. Nate, the Company's Internet search portal service, realized a page-view market share of 3.8% as of December 31, 2018. (Source: Korean Click, based on fixed-line access)

Table of Contents**2. Updates on Major Products and Services**

(Unit: in millions of Won and percentages)

Consolidated				
Sales Amount				
Business	Major Companies	Item	Major Trademarks	(ratio)
Wireless	SK Telecom Co., Ltd.,	Mobile communication service,	T, Band Data and others	12,378,897 (73%)
	PS&Marketing Co., Ltd.,	wireless data service,		
	Network O&S Co., Ltd.	ICT service		
Fixed-line	SK Broadband Co., Ltd.,	Fixed-line phone,	B tv , 00700	2,932,598 (17%)
	SK Telink Co., Ltd.	high speed Internet,	international call,	
Other		data and network lease service	SK 7mobile and others	1,562,465 (10%)
	Eleven Street Co., Ltd.	Information	11st, OK Cashbag,	
	SK Planet Co., Ltd.,	telecommunication, electronic	NATE, CAPS and others	
	Onestore Co., Ltd.,	finance, advertising, Internet		
		portal service, personnel and		
	SK Communications Co., Ltd.,	system security, information		
		security and others		
	SK M&Service Co., Ltd.,			
	ADT CAPS Co., Ltd.			
	SK Infosec Co., Ltd.			
Total				16,873,960 (100%)

[Wireless Business]

As of December 31, 2018, based on the Company's standard monthly subscription plan, the basic service fee was Won 12,100 and the usage fee was Won 1.98 per second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate business services and other services for both individual and corporate customers. As of December 31, 2018, SK Broadband's revenue (on a consolidated basis) comprised of 24.9% broadband Internet, 2.0% home telephony services, 31.0% corporate business services, 39.1% TV services and 3.0% other telecommunications services. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long term contracts, changes in equipment costs and competition between companies.

[Other Business]

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

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

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

Business	Classification	Investment period	Subject of investment	Investment effect	(Unit: in 100 millions of Won)	
					Expected investment amount	Amount already invested/Future investment
Network/Common	Upgrade/ New installation	Year ended December 31, 2018	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	21,279
Total					21,000*	21,279

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

B. Future Investment Plan

Business	Asset type	Expected investment amount	Expected investment for each year			Investment effect
			2019	2020	2021	
Network/Common	Network, systems and others	To be determined	To be determined	To be determined	To be determined	Upgrades to the existing services and expanded provision of network services including 5G
Total		To be determined	To be determined	To be determined	To be determined	

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

In 2018, SK Broadband spent Won 776.8 billion in capital expenditures. In 2019, the Company plans to make a similar level of capital expenditures to expand network coverage and upgrade its media platform compared to 2018, but does not expect such expenditures to have a material adverse effect on the Company's financial structure through improvements in investment efficiency.

Business	Classification	Investment period	Subject of investment	Investment effect	(Unit: in 100 millions of Won)	
					Amount already	Future investment

					invested	
High-speed Internet					2,973	
Fixed-line telephone	Upgrade/	Year ended	Backbone and	Expand subscriber networks and facilities	145	
IPTV	New	December 31,	subscriber		1,839	To be determined
Corporate	installation	2018	network/	Increase leased-line and integrated information system	1,255	
Business Backbone network			others	Additional backbone equipment and lines	738	
IT infrastructure				Upgrade IT infrastructure and network management system	467	
Others				Increase network equipment and NW security	351	
Total					7,768	

Table of Contents**4. Revenues**

(Unit: in millions of Won)

Business	Sales type	Item	For the year ended December 31,			
			2018	2017	2016	
Wireless	Services	Mobile communication	Export	50,959	20,507	17,393
			Domestic	12,327,938	13,241,628	12,987,516
			Subtotal	12,378,897	13,262,135	13,004,909
Fixed-line	Services	Fixed-line, B2B data, high-speed Internet, TV	Export	104,592	84,395	92,630
			Domestic	2,828,006	2,639,756	2,558,563
			Subtotal	2,932,598	2,724,151	2,651,193
Other	Services	Display and search ad., content, commerce	Export	62,545	41,233	42,205
			Domestic	1,499,920	1,492,494	1,393,509
			Subtotal	1,562,465	1,533,727	1,435,714
Total			Export	218,096	146,135	152,228
			Domestic	16,655,864	17,373,878	16,939,588
			Total	16,873,960	17,520,013	17,091,816

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

(Unit: in millions of Won)

For the year ended December 31, 2018	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
Total sales	13,961,762	3,973,533	1,873,224	19,808,519	(2,934,559)	16,873,960
Internal sales	1,582,865	1,040,935	310,759	2,934,559	(2,934,559)	
External sales	12,378,897	2,932,598	1,562,465	16,873,960		16,873,960
Operating profit (loss)	1,299,869	228,225	(326,334)	1,201,760		1,201,760
Profit (loss) for the year	3,131,988					
Total assets	29,513,625	4,977,684	2,804,147	37,295,456	5,073,655	42,369,111
Total liabilities	12,313,954	2,961,493	1,232,765	16,508,212	3,511,649	20,019,861

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

Currency and interest rate swap contracts under cash flow hedge accounting as of December 31, 2018 are as follows:

Ending date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
July 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and four other banks	Jul. 20, 2007 - 2027
March 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 - 2020
December 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$40,253,000)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 - 2022
December 20, 2016	Floating-to-fixed interest rate swap (Korean Won denominated loan face value of KRW 36,750 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 20, 2016 - 2021
November 10, 2017	Floating-to-fixed interest rate swap (Korean Won denominated loan face value of KRW 12,250 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Nov. 10, 2016 - 2019
December 21, 2017	Floating-to-fixed interest rate swap (Korean Won denominated loan face value of KRW 50,000 million)	Interest rate risk	Interest rate swap	Korea Development Bank	Dec. 21, 2017 - 2022
April 16, 2018	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$500,000,000)	Foreign currency risk	Cross currency swap	The Export-Import Bank of Korea and three other banks	Apr. 16, 2018 - 2023
August 13, 2018	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Citibank	Aug. 13, 2018 - 2023

B. Treatment of Derivative Instruments on the Balance Sheet

As of December 31, 2018, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments were as follows:

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

Hedged item	Fair value		Total
	Cash flow hedge	Trading purposes	
Current assets:			

Floating-to-fixed interest rate swap (Korean Won denominated loan face value of KRW 12,250 million)	13	13
Non-current assets:		
Structured bond (face value of Won 50,000 million)		10,947
Fixed-to-fixed cross currency swap (Korean Won denominated bonds face value of US\$400,000,000)	9,335	9,335
Floating-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	6,499	6,499
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$500,000,000)	24,024	24,024
Others		4,639
Total assets:		55,457
Non-current liabilities:		
Fixed-to-fixed interest rate swap (U.S. dollar denominated loan face value of US\$40,253,000)	(1,107)	(1,107)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(2,874)	(2,874)
Floating-to-fixed interest rate swap (Korean Won denominated loan face value of KRW 86,750 million)	(203)	(203)
Total liabilities:		(4,184)

Table of Contents**6. Major Contracts****[SK Telecom]**

Not applicable.

[SK Broadband]

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

Counterparty	Contract Contents	Contract Period	Note
Telecommunication service providers KEPCO	Interconnection among telecommunication service providers Provision of electric facilities	From Nov. 2018 to Nov. 2019	-Automatically renewed for two years at a time unless specific amendments are requested -Use of electricity poles (entered on Nov. 7, 2014)
Busan Transportation Corporation Seoul Metro	Use of telecommunication line conduits Use of telecommunication line conduits	From Aug. 2017 to Jul. 2019 From Jan. 2018 to Dec. 2020	-Unless special reasons arise, the usage period will be automatically renewed annually -Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2016 to May 2019	-Use of railway telecommunication conduit (Serviced areas to expand) -Unless special reasons arise, the usage period will be automatically renewed every three years until 2019
			-Expected to enter into a new contract in 2019 after re-negotiation of 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.

Table of Contents**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			Remarks
	December 31, 2018	December 31, 2017	December 31, 2016	
Raw material	760	1,261	659	
Labor	131,792	139,845	116,108	
Depreciation	155,093	144,301	125,827	
Commissioned service	78,323	76,042	54,714	
Others	47,511	53,112	53,785	
Total R&D costs	413,480	414,562	351,093	
Accounting				
Sales and administrative expenses	387,675	395,276	344,787	
Development expenses (Intangible assets)	25,805	19,285	6,306	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)	2.45%	2.37%	2.05%	

8. Other information relating to investment decisions**A. Trademark Policies**

The Company manages its corporate brand and other product brands in a comprehensive way to protect and increase their value. The Company operates an intranet system called "Comm.ON" in order to implement consistent communication with consumers across various areas including branding, design, marketing and public relations, and systematically manages the development, registration and licensing of brands through such system.

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

As of December 31, 2018, the Company held 4,672 Korean-registered patents and 1,453 foreign-registered patents. The Company holds 717 Korean-registered trademarks and owns intellectual property rights to its proprietary graphic design of the alphabet "T" representing its brand. The designed alphabet "T" is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to constant change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

[SK Broadband]

As of December 31, 2018, SK Broadband held 347 Korean-registered patents and 151 foreign-registered patents (including those held jointly with other companies). It also holds 296 Korean-registered trademarks and owns intellectual property rights to its proprietary graphic design of the alphabet "B" representing its brand. The designed

alphabet **B** is registered in all business categories for trademarks (total of 45). The number of registered patents and trademarks is subject to continual change due to the acquisition of new rights, expiration of terms, abandonments and dispositions.

[SK Planet]

As of December 31, 2018, SK Planet held 1,525 registered patents, 95 registered design marks, 1,048 registered trademarks and 4 copyrights (in each case including those held jointly with other companies) in Korea. It also holds various other intellectual property rights in other countries, including 210 U.S.-registered patents, 120 Chinese-registered patents, 80 Japanese-registered patents, 86 E.U.-registered patents (in each case including those held jointly with other companies) and 284 foreign registered trademarks.

Table of Contents

[Eleven Street]

As of December 31, 2018, Eleven Street Co., Ltd. (Eleven Street) held 98 registered patents, 12 registered design marks, 563 registered trademarks and 5 copyrights (in each case including those held jointly with other companies) in Korea. It also holds various other intellectual property rights in other countries, including 22 U.S.-registered patents (including those held jointly with other companies).

[SK Communications]

As of December 31, 2018, SK Communications held 93 registered patents, 26 registered design rights and 506 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

[SK Telecom]

The Company does not directly 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.

[SK Broadband]

SK Broadband does not directly engage in any manufacturing processes that emit environmental pollutants, and more than 99% of its greenhouse gas emissions is indirect emissions from its use of external electricity. SK Broadband was selected as a business subject to allocation of emission permits as part of Korea's greenhouse gas emissions trading scheme that commenced in 2015, and it actively fulfills its obligations and consistently achieves the targets set by the government. In addition, SK Broadband continues to invest in environment-friendly facilities for its data centers and improve the stability and efficiency of its services.

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

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

	(Unit: in millions of Won except number of companies)		
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Assets			
Current Assets	7,958,839	6,201,799	5,996,628
Cash and Cash Equivalents	1,506,699	1,457,735	1,505,242
Accounts Receivable Trade, net	2,008,640	2,126,007	2,240,926
Accounts Receivable Other, net	937,837	1,260,835	1,121,444
Others	3,505,663	1,357,222	1,129,016
Non-Current Assets	34,410,272	27,226,870	25,301,035
Long-Term Investment Securities	664,726	887,007	828,521
Investments in Associates and Joint Ventures	12,811,771	9,538,438	7,404,323
Property and Equipment, net	10,718,354	10,144,882	10,374,212
Intangible Assets, net	5,513,510	3,586,965	3,776,354
Goodwill	2,938,563	1,915,017	1,932,452
Others	1,763,348	1,154,561	985,173
Total Assets	42,369,111	33,428,669	31,297,663
Liabilities			
Current Liabilities	6,847,557	7,109,123	6,444,099
Non-Current Liabilities	13,172,304	8,290,351	8,737,134
Total Liabilities	20,019,861	15,399,474	15,181,233
Equity			
Equity Attributable to Owners of the Parent Company	22,470,822	17,842,139	15,971,399
Share Capital	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	655,084	196,281	199,779
Retained Earnings	22,144,541	17,835,946	15,953,164
Reserves	(373,442)	(234,727)	(226,183)
Non-controlling Interests	(121,572)	187,056	145,031
Total Equity	22,349,250	18,029,195	16,116,430
Total Liabilities and Equity	42,369,111	33,428,669	31,297,663
Number of Companies Consolidated	44	39	38

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

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating Revenue	16,873,960	17,520,013	17,091,816
Operating Profit	1,201,760	1,536,626	1,535,744
Profit Before Income Tax	3,975,966	3,403,249	2,096,139
Profit for the Year	3,131,988	2,657,595	1,660,101
Profit for the Year Attributable to Owners of the Parent Company	3,127,887	2,599,829	1,675,967
Profit for the Year Attributable to Non-controlling Interests	4,101	57,766	(15,866)
Basic and Diluted Earnings Per Share (Won)	44,066	36,582	23,497

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

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

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

	(Unit: in millions of Won)		
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Assets			
Current Assets	4,679,378	3,768,098	3,661,115
Cash and Cash Equivalents	877,823	880,583	874,350
Accounts Receivable Trade, net	1,354,260	1,520,209	1,594,504
Accounts Receivable Other, net	518,451	1,003,509	772,570
Others	1,928,844	363,797	419,691
Non-Current Assets	24,168,645	21,789,424	21,787,459
Long-Term Investment Securities	410,672	724,603	560,966
Investments in Subsidiaries and Associates	10,188,914	9,152,321	8,726,538
Property and Equipment, net	6,943,490	6,923,133	7,298,539
Intangible Assets, net	4,010,864	3,089,545	3,275,663
Goodwill	1,306,236	1,306,236	1,306,236
Others	1,308,469	593,586	619,517
Total Assets	28,848,023	25,557,522	25,448,574
Liabilities			
Current Liabilities	4,178,068	4,767,401	4,464,160
Non-Current Liabilities	7,782,468	5,782,730	6,727,460
Total Liabilities	11,960,536	10,550,131	11,191,620
Equity			
Share Capital	44,639	44,639	44,639
Capital Surplus and Other Capital Adjustments	415,324	371,895	371,481
Retained Earnings	16,467,789	14,512,556	13,902,627
Reserves	(40,265)	78,301	(61,793)
Total Equity	16,887,487	15,007,391	14,256,954
Total Liabilities and Equity	28,848,023	25,557,522	25,448,574

	(Unit: in millions of Won except per share data)		
	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Operating Revenue	11,705,639	12,468,035	12,350,479
Operating Profit	1,307,494	1,697,709	1,782,172
Profit Before Income Tax	1,221,244	1,603,808	1,562,782
Profit for the Year	933,902	1,331,114	1,217,274
Basic and Diluted Earnings Per Share (Won)	13,000	18,613	17,001

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

2. Other Matters Related to Financial Information

A. Restatement of the Financial Statements

Not applicable.

Table of Contents**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, 2018

Allowance for Doubtful

	Gross amount	Accounts	Percentage
Accounts receivable trade	2,280,090	260,157	11%
Loans	135,503	47,375	35%
Accounts receivable other	1,280,236	68,346	5%
Accrued income	6,232	166	3%
Guarantee deposits	315,854		0%
Total	4,017,915	376,045	9%

(Unit: in millions of Won)

For the year ended December 31, 2017

Allowance for Doubtful

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

(Unit: in millions of Won)

For the year ended December 31, 2016

Allowance for Doubtful

	Gross amount	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%

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

(Unit: in millions of Won)

	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Beginning balance	362,171	369,332	344,016
Effect of change in accounting policy	13,049		
Increase of allowance for doubtful accounts	45,051	40,377	78,132
Reversal of allowance for doubtful accounts			
Write-offs	(65,762)	(70,802)	(79,891)
Other	21,536	23,264	27,075
Ending balance	376,045	362,171	369,332

Table of Contents

(3) Policies for Allowance for Doubtful Accounts

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

(4) Aging of Accounts Receivable

(Unit: in millions of Won)

		As of December 31, 2018					
		Six months or less	From six months to one year	From one year to three years	More than three years	Total	
Accounts receivable	general	1,979,347	69,721	142,789	88,233	2,280,090	
Percentage		87%	3%	6%	4%	100%	

C. Inventories

(1) Detailed Categories of Inventories

(Unit: in millions of Won)

Account Category	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2016
Merchandise	259,524	243,975	225,958
Goods in transit			
Other inventories	28,529	28,428	33,888
Total	288,053	272,403	259,846
Percentage of inventories to total assets [Inventories / Total assets]	0.68%	0.81%	0.83%
Inventory turnover [Cost of sales / { (Beginning balance of inventories + Ending balance of inventories) / 2 }]	6.41	7.09	6.89

(2) Reporting of Inventories

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

D. Fair Value Measurement

See note 2 of the notes to the Company's audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 for more information.

E. Key Terms of Debt Securities

[SK Telecom]

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

Table of Contents

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, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond 62-1	Series Aug. 28, 2012	Aug. 28, 2019	170,000	Aug. 22, 2012	Meritz Securities Co., Ltd.
Unsecured Bond 62-2	Series Aug. 28, 2012	Aug. 28, 2022	140,000	Aug. 22, 2012	Meritz Securities Co., Ltd.
Unsecured Bond 62-3	Series 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, 2018

Table of Contents

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 Compliance Status

Debt ratio no greater than 300% Compliant

Restriction on Liens		The total amount of secured debt not to exceed 100% of
	Key Term	share capital as of the end of the previous fiscal year
	Compliance Status	Compliant
Restriction on Disposition of Assets		Disposal of assets per fiscal year not to exceed 2 trillion
	Key Term	won
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	Submitted on September 12, 2018

Table of Contents

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

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 300%
Restriction on Liens	Compliance Status	Compliant
	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
Submission of Compliance Certificate	Compliance Status	Compliant
	Compliance Status	Submitted on September 12, 2018

Table of Contents

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent	
Unsecured Bond	Series 72-1	Nov. 10, 2017	Nov. 10, 2020	100,000	Oct. 31, 2017	Korea Securities Finance Corp.
Unsecured Bond	Series 72-2	Nov. 10, 2017	Nov. 10, 2022	80,000	Oct. 31, 2017	Korea Securities Finance Corp.
Unsecured Bond	Series 72-3	Nov. 10, 2017	Nov. 10, 2027	100,000	Oct. 31, 2017	Korea Securities Finance Corp.
Unsecured Bond	Series 73-1	Feb. 20, 2018	Feb. 20, 2021	110,000	Feb. 6, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 73-2	Feb. 20, 2018	Feb. 20, 2023	100,000	Feb. 6, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 73-3	Feb. 20, 2018	Feb. 20, 2028	200,000	Feb. 6, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 73-4	Feb. 20, 2018	Feb. 20, 2038	90,000	Feb. 6, 2018	Korea Securities Finance Corp.

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 300%
Restriction on Liens	Compliance Status	Compliant
	Key Term	The total amount of secured debt not to exceed 150% of
		share capital as of the end of the previous fiscal year
Restriction on Disposition of Assets	Compliance Status	Compliant
	Key Term	Disposal of assets per fiscal year not to exceed 50% of total assets
Restriction on Changes of Management Structure	Compliance Status	Compliant
	Key Term	Restriction of cross-shareholding
		Exclusion from corporate group
Submission of Compliance Certificate	Compliance Status	Compliant
	Compliance Status	Submitted on September 12, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent	
Unsecured Bond	Series 74-1	Sept. 17, 2018	Sept. 17, 2021	100,000	Sept. 5, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 74-2	Sept. 17, 2018	Sept. 17, 2023	150,000	Sept. 5, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 74-3	Sept. 17, 2018	Sept. 17, 2038	50,000	Sept. 5, 2018	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 50% of total assets
	Compliance Status	Compliant
Restriction on Changes of Management Structure	Key Term	Restriction of cross-shareholding
	Compliance Status	Exclusion from corporate group
	Compliance Status	Compliant
Submission of Compliance Certificate	Compliance Status	To be submitted after the release of the 2018 annual report

Table of Contents**[SK Broadband]**

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

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

Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 400%
Restriction on Liens	Compliance Status	Compliant
	Key Term	The total amount of secured debt not to exceed 200% of
		share capital as of the end of the previous fiscal year
Restriction on Disposition of Assets	Compliance Status	Compliant
	Key Term	Disposal of assets per fiscal year not to exceed 2 trillion won
Submission of Compliance Certificate	Compliance Status	Compliant
	Compliance Status	Submitted on August 31, 2018

Name	Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond Series 45-1	Oct. 11, 2017	Oct. 11, 2020	30,000	Sept. 20, 2017	Korea Securities Finance Corp.
Unsecured Bond Series 45-2	Oct. 11, 2017	Oct. 11, 2022	140,000	Sept. 20, 2017	Korea Securities Finance Corp.

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Maintenance of Financial Ratio	Key Term	Debt ratio no greater than 400%
Restriction on Liens	Compliance Status	Compliant
	Key Term	The total amount of secured debt not to exceed 200% of
		share capital as of the end of the previous fiscal year
Restriction on Disposition of Assets	Compliance Status	Compliant
	Key Term	Disposal of assets per fiscal year not to exceed 70% of total assets
Submission of Compliance Certificate	Compliance Status	Compliant
	Compliance Status	Submitted on August 31, 2018

Table of Contents

Name		Issue Date	Maturity Date	Principal Amount	Date of Fiscal Agency Agreement	Fiscal Agent
Unsecured Bond	Series 46-1	Feb. 1, 2018	Feb. 1, 2021	70,000	Jan. 19, 2018	Korea Securities Finance Corp.
Unsecured Bond	Series 46-2	Feb. 1, 2018	Feb. 1, 2021 ³	80,000	Jan. 19, 2018	Korea Securities Finance Corp.

Maintenance of Financial Ratio
Restriction on Liens

Key Term
Compliance Status
Key Term

Debt ratio no greater than 400%
Compliant
The total amount of secured debt not to exceed 200% of

Restriction on Disposition of Assets

Compliance Status
Key Term

share capital as of the end of the previous fiscal year
Compliant
Disposal of assets per fiscal year not to exceed 70%

Restriction on Changes of Management Structure
Submission of Compliance Certificate

Compliance Status
Key Term
Compliance Status
Compliance Status

of total assets
Compliant
Restriction on changes of management structure
Compliant
Submitted on August 31, 2018

Table of Contents

IV. 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 2018, the Company strived to eliminate negative customer experiences and provide substantial benefits to its customers in response to the decrease in revenue from its wireless business. In addition, the Company built a solid foundation for improving its corporate value as a new ICT company that encompasses areas such as media, security and commerce, by acquiring ADT CAPS and establishing Eleven Street as a separate entity.

With respect to its MNO business, which operates under stabilizing market conditions, the Company has the honor of maintaining the top position for the longest consecutive period according to the top three customer survey agencies, including the number one position in the mobile phone industry for 21 consecutive years according to the Korean Customer Satisfaction Index, as a result of active marketing efforts to attract mobile subscribers who will provide future sources of revenue and the implementation of eight customer value innovation programs. Despite the inevitable decline in revenue due to rate cuts, the Company was able to decrease annual marketing expenses and continued to prioritize the retention of existing subscribers, achieving a record-low annual churn rate of 1.2% in 2018.

With respect to its digital network technology, in June 2018, the Company secured frequency bandwidths that are optimal for the commercialization of 5G services at a reasonable bid price. In the fourth quarter of 2018, the Company began to build its 5G networks, focusing on Seoul and other metropolitan areas. The Company began its first 5G transmission in December 2018, and is leading the way for the construction of 5G networks with enhanced stability and security through the application of quantum cryptography communication and AI networks.

The Company's media business achieved record annual revenue due to the increases in the number of IPTV subscribers and consumption of paid contents, and its mobile over-the-top (OTT) service oksusu is awaiting the launch of a new combined entity. With respect to its security business, the Company completed preparations to become a convergence security service provider by acquiring ADT CAPS and SK Infosec and completing the merger of NSOK. The 11st business accelerated the improvement in its profitability by providing differentiated services based on AI and data in a highly competitive environment.

In 2019, the Company plans to build on its positive reputation that has been earned through customer value innovation programs and grow as a new ICT company at the same time. With respect to its MNO business, the Company will closely integrate its assets related to security, commerce, data and AI in order to provide differentiated services to its customers. The new combined mobile OTT service of the Company will seek to transform the landscape of the content industry in Korea and become a leader in the new media business environment in the 5G era. In addition, the Company will continue to strengthen its competitiveness in the pay TV market through appropriate responses to the changes in the market environment, such as through the memorandum of understanding that the Company entered into in February 2019 to pursue the acquisition of Tbroad Co., Ltd. (Tbroad), the second largest cable TV operator in Korea.

Table of Contents

The Company's operating revenue, on a consolidated basis, was Won 16,874.0 billion for the year ended December 31, 2018, a decrease of 3.7% compared to 2017 primarily due to a decrease in rates reflecting the effects of the increase in the discount rates applicable to subscribers who elect to receive discounted rates in lieu of handset subsidies starting in September 2017. Although the decrease in total revenue was inevitable due to the decline in revenue from the wireless business, the Company has mitigated the impact of such decrease with the expansion of its new ICT businesses, such as media and security. The Company's operating profit, on a consolidated basis, decreased by 22% to Won 1,201.8 billion compared to the previous year due to the decrease in revenue and the recognition of costs associated with the reorganization of the business of its subsidiaries. The Company's profit for the year increased by 18% to Won 3,132.0 billion for the year ended December 31, 2018 compared to 2017, primarily due to gains related to its equity investment in SK hynix Inc.

In 2018, the Company's capital expenditures, on a separate basis, were Won 2.13 trillion, which was consistent with the guidance at the beginning of the year. Cash dividends for 2018 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, 2018	As of December 31, 2017	Change from 2017 to 2018	Percentage Change from 2017 to 2018
Total Assets	42,369	33,428	8,941	26.7%
Current Assets	7,959	6,201	1,758	28.4%
Cash and Marketable Securities	1,507	1,458	49	3.4%
Non-Current Assets	34,410	27,227	7,183	26.4%
Property and Equipment and Investment Property	10,718	10,145	573	5.6%
Intangible Assets and Goodwill	5,514	3,587	1,927	53.7%
Long-term Financial Instruments, Long-term Investment Securities and Investment in Associates	860	1,031	(171)	(16.6)%
Total Liabilities	20,020	15,399	4,621	30.0%
Current Liabilities	6,848	7,109	(261)	(3.7)%
Short-term Borrowings	80	130	(50)	(38.5)%
Current Portion of Long-term Debt	1,408	1,834	(426)	(23.2)%
Non-Current Liabilities	13,172	8,290	4,882	58.9%
Debentures and Long-term Borrowings, Excluding Current Portion	8,588	5,808	2,780	47.9%
Total Equity	22,349	18,029	4,320	24.0%
Interest-bearing Financial Debt ⁽²⁾	9,652	7,467	2,185	29.3%
Debt-to-Equity Ratio ⁽³⁾	43.2%	41.4%		(1.8)%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, 2018, SK Telecom's assets comprised 68% of the Company's assets, on a consolidated basis.

The Company's current assets as of December 31, 2018 increased by 28% from the end of the previous year, primarily due to the capitalization of incremental costs of obtaining contracts in accordance with K-IFRS 1115. Non-current assets increased by 26% from the end of the previous year, primarily due to the acquisition of 5G frequency usage rights and equity interests in Life & Security Holdings Co., Ltd., SK Infosec and id Quantique SA.

B. Liabilities

As of December 31, 2018, SK Telecom's liabilities comprised 60% of the Company's liabilities, on a consolidated basis.

Table of Contents

The Company's current liabilities as of December 31, 2018 decreased by 4% from the end of the previous year, primarily due to the repayment of short-term borrowings. Non-current liabilities as of December 31, 2018 increased by 59% from the end of the previous year mainly due to the issuance of bonds by SK Telecom and the 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, 2018	For the year ended December 31, 2017	Change from 2017 to 2018	Percentage Change from 2017 to 2018
Operating Revenue	16,874	17,520	(646)	(3.7)%
Operating Expense	15,672	15,983	(311)	(1.9)%
Operating Profit	1,202	1,537	(335)	(21.8)%
Operating Margin	7.12%	8.77%		(1.65)%p
Net Other Income (Loss)	2,774	1,867	907	48.6%
Profit Before Income Tax	3,976	3,403	573	16.8%
Profit for the Year	3,132	2,658	474	17.8%
Net Margin	18.56%	15.17%		3.39%p
Profit for the Year Attributable to Owners of the Parent Company	3,128	2,600	528	20.3%
Profit for the Year Attributable to Non-controlling Interests	4	58	(54)	(93.1)%
EBITDA ⁽¹⁾	4,486	4,784	(298)	(6.2)%
EBITDA Margin	26.59%	27.30%		(0.71)%p

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

A. Operating Revenue

The Company's operating revenue, on a consolidated basis, for the year ended December 31, 2018 decreased by 3.7% from the previous year, primarily due to a decrease in revenue from its wireless business, which was partially offset by efforts to minimize such decrease through increases in revenue from new ICT businesses such as media and security.

SK Telecom's operating revenue for the year ended December 31, 2018 decreased by 6.1% from the previous year, while the operating revenue of SK Broadband increased by 6.6% from the previous year primarily due to the qualitative growth of its IPTV business, including increases in the consumption of contents and the proportion of UHD subscribers.

In 2019, the Company expects its revenue to grow compared to 2018 as a result of an increase in revenue from the wireless business following the commercialization of 5G, as well as revenue growth of its ICT-related businesses such

as media, commerce and security.

B. Operating Profit

Despite the decrease in SK Telecom's marketing expenses and the improvement of the profitability of Eleven Street, the operating profit of the Company for the year ended December 31, 2018 decreased by 22% from the previous year, primarily due to the decrease in profit from the wireless business and the recognition of expenses related to the reorganization of SK Planet's business portfolio.

Table of Contents**C. Operating Expense**

(Unit: in billions of Won, except percentages)

	For the year ended December 31, 2018	For the year ended December 31, 2017	Change from 2017 to 2018	Percentage Change from 2017 to 2018
Labor Cost	2,289	1,966	323	16.4%
Commissions Paid	5,003	5,486	(483)	(8.8)%
Advertising	469	523	(54)	(10.3)%
Depreciation and Amortization ⁽¹⁾	3,284	3,247	37	1.1%
Network Interconnection	808	875	(67)	(7.7)%
Leased Line Fees and Frequency License Fees	310	192	(118)	(38.1)%
Cost of Products that have been Resold	1,796	1,887	(91)	(4.8)%
Others	1,713	1,657	56	3.4%
Total Operating Expense	15,672	15,983	(311)	(1.9)%

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

Labor cost for the year ended December 31, 2018 increased by 16.4% from the previous year primarily due to an increase in the number of professional employees hired in connection with the expansion of the Company's new businesses and technologies, such as AI and service platforms.

Commissions paid for the year ended December 31, 2018 decreased by 8.8% from the previous year primarily due to the overall decrease in marketing expenses in connection with the maturing of the wireless business market, including an increase in the proportion of subscribers who upgrade handsets.

Depreciation and amortization expenses for the year ended December 31, 2018 increased by 1.1% from the previous year due to an increase in the depreciation and amortization expenses for SK Broadband's fixed-line business, despite a slight decrease in SK Telecom's depreciation and amortization expenses partially due to the completion of depreciation of certain assets.

5. Analysis of Separate Operating Information [SK Telecom]

A. Number of Subscribers

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

	For the year	For the year	Change from 2017 to	Percentage Change from
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	ended December 31, 2018	ended December 31, 2017	2018	2017 to 2018
Subscribers	30,882	30,195	687	2.3%
Net Increase	690	600	90	15.0%
Activations	5,176	5,821	(645)	(11.1)%
Deactivations	4,486	5,221	(735)	(14.1)%
Monthly Churn Rate (%)	1.2%	1.5%		(0.3)%p
Average Subscribers	30,589	29,975	614	2.0%
Smartphone Subscribers	23,964	22,985	979	4.3%
LTE Subscribers	24,796	22,865	1,931	8.4%

The number of LTE subscribers continued to increase to 24.80 million as of December 31, 2018. The Company achieved a record low annual churn rate of 1.2% as a result of the stabilization of the market and the Company's efforts to prevent the loss of existing subscribers through its customer innovation programs.

The number of smartphone subscribers continued to increase to 23.96 million as of December 31, 2018 (which represented a net increase of 690,000 subscribers during the year), representing 78% of the total number of SK Telecom's subscribers.

Table of Contents**B. Average Monthly Revenue per Subscriber**

	For the year ended December 31, 2018	For the year ended December 31, 2017	Change from 2017 to 2018	Percentage Change from 2017 to 2018
Billing Average Monthly Revenue per Subscriber (Won)	32,243	34,901	(2,658)	(7.6)%

* 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 2018, despite the continued increase in average customer data usage, average revenue per subscriber decreased to Won 32,243, a 7.6% decrease compared to the previous year, primarily due to increases in the number of subscribers who elected to receive discounted rates in lieu of handset subsidies.

C. Capital Expenditures

(Unit: in billions of Won, except percentages)

	For the year ended December 31, 2018	For the year ended December 31, 2017	Change from 2017 to 2018	Method of financing
New investments and expansions				
Network investment	1,735.6	1,597.0	138.6	
Other investment	392.3	386.9	5.4	Self-
Total	2,127.9	1,983.9	144.0	procurement

[SK Broadband]

(Unit: in billions of Won, except percentages)

	For the year ended December 31, 2018	For the year ended December 31, 2017	Percentage Change from 2017 to 2018
Operating revenue			
High-speed Internet	809.2	845.3	(4.3)%
Residential fixed-line telephone	64.2	78.5	(18.2)%
Corporate business	1,007.6	989.2	1.9%
Television	1,274.3	1,025.8	24.2%
Others	98.5	113.8	(13.4)%

Total	3,253.8	3,052.6	6.6%
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* (1) Operating revenue determined in accordance with K-IFRS.

* (2) The business category is based on the nature of the goods or services that account for operating revenue or the characteristics of the network assets to provide telecommunications service, considering the consolidated entity as a single reporting entity.

High-speed Internet

In 2018, revenue from high-speed Internet services decreased by 4.3% compared to 2017 to Won 809.2 billion, primarily due to the adoption of the newly applicable accounting standard IFRS 15. Although the decrease in revenue from value-added services had a negative effect on ARPU, ARPU increased overall compared to the previous year as a result of an increase in the proportion of Giga internet users to 34%. In addition, the Company continued to secure additional subscribers despite market price competition, recording an annual increase of approximately 170,000 subscribers. In 2019, although the growth rate of the residential market is expected to fall due to intensified competition and a decrease in demand, SK Broadband plans to continue to strengthen its distribution capabilities by upgrading its data-based marketing system.

Table of Contents**IPTV**

In 2018, SK Broadband's IPTV business increased its revenue by 24.2% compared to 2017 to Won 1,274.3 billion and strengthened its position as a media platform. APRU of IPTV services improved as a result of an increase of revenue from media platform businesses such as paid contents, media advertising and home shopping transmission fees and the increase in the proportion of UHD subscribers to approximately 54%. In addition, the IPTV business added approximately 350,000 new subscribers during the year, contributing to the continued increase in revenue despite the effects of the adoption of IFRS 15. Although the costs related to contents increased compared to 2017 in connection with the associated revenue growth, the proportion of such costs as compared to revenue decreased, contributing to the continued improvement of the IPTV business' profitability. In 2019, competition among the platform providers in the IPTV market is expected to intensify due to efforts to differentiate their services. SK Broadband will continue to deliver differentiated value to its customers through its customer-oriented business and services.

Corporate Business

In 2018, revenue from SK Broadband's corporate business increased by 1.9% compared to 2017 to Won 1,007.6 billion. The corporate business continued its revenue growth by securing large-scale customer contracts in its core business based on fixed-line services, which constitutes SK Broadband's primary strength as a fixed-line telecommunications operator. In the case of its growth businesses, which are the growth engines for the corporate business, convergence security services such as cloud cameras and managed services were the main sources of revenue growth. As a result, the proportion of revenue from both the core and growth businesses increased compared to 2017. In 2019, SK Broadband will continue to develop its core and growth businesses by actively exploring new markets and opportunities.

6. Guidance for Fiscal Year 2019

The Company announced the following guidance for fiscal year 2019 during its earnings release conference call on January 31, 2019.

1. Operating revenue (consolidated): Won 18.0 trillion

The Company expects its consolidated operating revenue to reach approximately Won 18.0 trillion in 2019. While the Company expects the decrease in revenue from its wireless business to continue due to the effect of rate cuts, such as those offered to subscribers who elect to receive rate discounts in lieu of handset subsidies, it expects a turnaround in revenue in the second half of 2019 by offering reasonable rate plans based on increasing user data usage and increasing the number of new subscribers. The Company plans to minimize the impact of the increase in expenses related to the commercialization of 5G services through efficient management of costs, such as reducing marketing expenses. SK Broadband is expected to heighten its level of contribution to the Company's consolidated revenue increase by maintaining steady growth in the IPTV and T-commerce businesses, and it also expects returns from new media businesses such as its mobile OTT service. Eleven Street plans to expand its product categories by strengthening various external partnerships in high-margin sectors such as fashion, groceries and beauty. The Company also plans to improve Eleven Street's profitability by developing it into a commerce portal utilizing synergies with ICT-related affiliates and reach break-even for the year. Due to the factors described above and the consolidation of the new security business subsidiaries such as ADT CAPS and SK Infosec, the Company expects an increase in annual revenue by more than approximately Won 1 trillion compared to 2018.

2. Capital expenditures

For the Company's capital expenditures in 2019, it plans to respond flexibly to various factors affecting the commercialization of 5G technology, such as services, rate plans and the availability of handsets. The Company plans to make investments based on a careful examination of customer demand in order to ensure its position as the leader in the commercialization of and market for 5G services. The Company will determine the amount of capital expenditures once the variables that are important to future investments become clear.

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.

Table of Contents**7. Corporate Reorganization**

On December 21, 2018, SK Telecom undertook a corporate reorganization in order to innovate and grow as a leading new ICT company. SK Telecom reorganized its businesses into four main business divisions comprising the Company's new ICT business portfolio: MNO, media, security and commerce. All organizations within the Company will be reorganized with a focus on 5G technology, with the most important of these organizations, including the four main business divisions, each establishing a body in charge of 5G technology and focusing on the commercialization of, and market initiatives for, 5G services. In order to strengthen the Company's key capabilities as a ICT company in AI and data-related technologies, the AI Center will serve as the core brain for 5G technology and strengthen its role in supporting all of the Company's businesses in connection with AI technologies, while the DT Center will take the lead on the data integration system for all ICT-related companies through the Data Governance Group. The Company will strengthen its system of synergies in pursuing "Virtually One Company" among all of its ICT-related entities. In addition, the Company plans to strengthen the role of the relevant departments to develop new business models for its music and mobile OTT services, which will become the key contents for the new ICT sector in the 5G era.

8. Liquidity

As of December 31, 2018, the Company's debt-to-equity ratio (as calculated based on the interest-bearing financial debt) was 43.2%, compared to 41.4% as of December 31, 2017 and 45.7% as of December 31, 2016. The net debt-to-equity ratio (as calculated based on the interest-bearing financial debt minus cash and marketable securities) was 30.9%, 29.1% and 33.1% at the end of 2018, 2017 and 2016, respectively. Interest coverage ratio (EBITDA / interest expense) was 14.6, 16.0 and 15.8 at the end of each of 2018, 2017 and 2016. The Company continues to have sufficient liquidity.

9. Financing

As of December 31, 2018, the Company's aggregate interest bearing debt amounted to Won 9,652 billion, comprising long-term and short-term borrowings, debentures and current portion of long-term borrowings, compared to Won 7,467 billion as of December 31, 2017 and Won 7,370 billion as of December 31, 2016, showing increases for three consecutive years.

10. Investments

The Company did not make any significant investments in 2018.

Table of Contents**V. AUDITOR S OPINION****1. Independent Auditors and Audit Opinions****A. Independent Auditor and Audit Opinion (Consolidated)**

Period	Independent auditor	Audit opinion	Issues noted
Year ended December 31, 2018	KPMG Samjong Accounting Corp.	Unqualified	N/A
Year ended December 31, 2017	KPMG Samjong Accounting Corp.	Unqualified	N/A
Year ended December 31, 2016	KPMG Samjong Accounting Corp.	Unqualified	N/A

B. Audit Services Contracts with Independent Auditors

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

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

C. Non-Audit Services Contracts with Independent Auditors

(Unit: in millions of W

Period	Contract date	Service provided	Service duration	
r ended December 31, 2018	September 20, 2018	Confirmation of financial information	September 20, 2018	September 21, 2018
	March 5, 2018	Issuance of comfort letters	March 5, 2018	April 26, 2018
r ended December 31, 2017	March 10, 2017	Issuance of comfort letters	March 10, 2017	March 30, 3017
	April 28, 2017	Consulting services	April 28, 2017	May 12, 2017
r ended December 31, 2016	May 10, 2016	Confirmation of financial information	May 10, 2016	May 12, 2016

Table of Contents**2. Change of Independent Auditors**

Not applicable.

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

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

(As of December 31, 2018)

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

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

B. Significant Activities of the Board of Directors

Meeting	Date	Agenda	Approval
409th		- Business Plan for 2018	Approved as proposed
(the 1st meeting of 2018)		- Financial statements as of and for the year ended December 31, 2017	Approved as proposed
	February 2, 2018	- Annual business report as of and for the year ended December 31, 2017	Approved as proposed
		- Delegation of funding through long-term borrowings in 2018	Approved as proposed
		- Lease contract with SK Broadband	Approved as proposed
		- Approval of IT SM transactions in 2018	

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	- Report on welfare fund for 2018	Approved as proposed
	- Share acquisition of FSK L&S	Approved as proposed
	- Establishment of SK Telecom Japan	Approved as proposed
	- Report of internal accounting management	Approved as proposed
	- Donation to community in 2017	Approved as proposed
	- Report for the period after the fourth quarter of 2017	Approved as proposed
		Approved as proposed
		Approved as proposed
		Approved as proposed
	- Adoption of electronic voting system	Approved as proposed
	- Establishment of corporate governance charter	Approved as proposed
410th		Approved as proposed
(the 2nd meeting of 2018)	February 20, 2018	Approved as proposed
	- Grant of stock options	Approved as proposed
	- Plan for the 34th General Meeting of Shareholders	Approved as proposed
	- Donation to the Korean Fencing Association	Approved as proposed
	- Results on internal accounting management	Approved as proposed

Table of Contents

Meeting	Date	Agenda	Approval
			Approved as proposed
			Approved as proposed
411th (the 3rd meeting of 2018)	March 31, 2018	- Election of the chairman of the Board of Directors	Approved as proposed
		- Election of committee members	Approved as proposed
		- Reappointment of compliance officer	Approved as proposed
		- Transactions with SK Holdings in the second quarter of 2018	Approved as proposed
		- Transactions related to corporate bonds with SK Securities	Approved as proposed
		- Transactions related to fund management with SK Securities	Approved as proposed
		- Donation to Korea Foundation of Advance Studies for 2018	Approved as proposed
		- Donation to SK Happiness Foundation for 2018	Approved as proposed
412nd (the 4th meeting of 2018)	April 26, 2018	- Allocation of operating costs of SK Academy	Approved as proposed
		- Payment of operating costs in 2018 for SUPEX Council	Approved as proposed
		- Report for the period after the first quarter of 2018	
413rd (the 5th meeting of 2018)	May 8, 2018	- Acquisition of shares of Siren Holdings Korea Co., Ltd.	Approved as proposed
414th (the 6th meeting of 2018)	May 24, 2018	- Plan for the procurement of 5G frequency	Approved as proposed
		- Settlement of expenses between related parties in connection with contemplated joint R&D	Approved as proposed
		- Equity investment plan for the Guam/Saipan MNO	
415th (the 7th meeting of 2018)	June 28, 2018	- Transactions with SK Holdings in the third quarter of 2018	Approved as proposed
		- Transactions related to corporate bonds with SK Securities	

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		- Transactions related to fund management with SK Securities	Approved as proposed
		- Changes to joint management contract of airplane for business purposes	Approved as proposed
	July 26, 2018	- Participation in Iriver's capital increase	Approved as proposed
		- Payment of interim dividends	Approved as proposed
416th (the 8th meeting of 2018)		- Report on the statement of accounts for the first half year of 2018	Approved as proposed
		- Establishment of investment company in Southeast Asia and equity investment plan	
		- Report for the period after the second quarter of 2018	
	September 20, 2018	- Transactions with SK Holdings in the fourth quarter of 2018	Approved as proposed
417th (the 9th meeting of 2018)		- Increase of donation to the Korean Fencing Federation in 2018	Approved as proposed
		- Donation for flood damage relief in Laos	
	October 25, 2018		Approved as proposed
		- Payment for acquisition of new 5G frequency bandwidths	Approved as proposed
418th (the 10th meeting of 2018)		- Investment in 5G facilities in 2018	Approved as proposed
		- Comprehensive share exchange with SK Infosec	
		- Disposal of treasury shares	Approved as proposed
		- Report for the period after the third quarter of 2018	
	November 26, 2018	- Changes to fixed-line and wireless infrastructure construction in 2018	Approved as proposed
419th (the 11th meeting of 2018)		- Joint management contract of aircraft for business purposes for 2019	Approved as proposed
		- Approval of comprehensive share exchange agreement with SK Infosec	Approved as proposed
		- Report on compliance and effectiveness evaluation	

Table of Contents

Meeting	Date	Agenda	Approval
420th		- Business management plan for 2019	Approved as proposed
(the 12 th meeting of 2018)		- Transactions with SK Holdings in the first quarter of 2019	Approved as proposed
		- Provision of funds for management of the 2018 SUPEX meeting	Approved as proposed
		- Renewal of IT SM contract	Approved as proposed
		- Lease contract for SUPEX Center in 2019	Approved as proposed
		- Contract with SK Forest for landscape and facility management service in 2019	Approved as proposed
	December 26, 2018	- Allocation of operating expenses of SK Academy in 2019	Approved as proposed
		- Construction of fixed-line and wireless infrastructure for 2019	Approved as proposed
		- Resale of fixed-line products with SK Broadband for 2019	Approved as proposed
		- Approval of the issuance limit for asset-backed short-term bonds	Approved as proposed
		- Purchase of PS&M handset installment receivables for 2019	Approved as proposed
		- Disposal of Happynarae shares	Approved as proposed
		- Establishment of SK Telecom New York investment company	Approved as proposed
		- Customer contact channel operation for 2019	Approved as proposed
		- Cell site maintenance contract for 2019	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 December 31, 2018)

(a) Compensation Review Committee

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

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

(b) Capex Review Committee

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

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

(c) Corporate Citizenship Committee

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

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

(e) Audit Committee

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

Table of Contents

* 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 four independent directors, Dae Shick Oh, Jae Hoon Lee, Jae Hyeon Ahn and Youngmin Yoon.

Major activities of the Audit Committee as of December 31, 2018 are set forth below.

Meeting	Date	Agenda	Approval
The 1st meeting of 2018	February 1, 2018	- Evaluation of internal accounting management system operation	
		- Review of business and audit results for the second half of 2017 and business and audit plans for 2018	
		- Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	Approved as proposed
		- Appointment of external auditor for the period of 2018 to 2020	Approved as proposed
The 2nd meeting of 2018	February 19, 2018	- Report on the IFRS audit of fiscal year 2017	
		- Report on review of 2017 internal accounting management system	
		- Evaluation of internal accounting management system operation	
		- Agenda and document review for the 34th General Meeting of Shareholders	Approved as proposed Approved as proposed
		- Auditor's report for fiscal year 2017	Approved as proposed
The 3rd meeting of 2018	March 20, 2018	- Report on contract for customer appreciation gifts to fixed-line telephone customers for 2018	Approved as proposed
		- Contract for maintenance services of optical cables in 2018	
	April 25, 2018	- Contract for maintenance services of transmission equipment in 2018	Approved as proposed Approved as proposed
		- Consulting contract to undertake a global project	Approved as proposed
		- Election of the chairman of the Audit Committee	Approved as proposed

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The 4th meeting of 2018		- Remuneration for external auditor for fiscal year 2018	Approved as proposed
		- Approval of external auditor services for fiscal year 2018	Approved as proposed
		- Audit plan for fiscal year 2018	
The 5th meeting of 2018	May 23, 2018	- Product/service transactions with SK Broadband for fiscal year 2018	Approved as proposed
The 6th meeting of 2018	July 25, 2018	- Report on the external audit for the first half of fiscal year 2018	
The 7th meeting of 2018	October 24, 2018	- Contract with SK E&C for construction of SK memorial hall	Approved as proposed
The 8th meeting of 2018	November 21, 2018	- Contract for business corporation with Onestore for 2019	Approved as proposed
		- Contract for maintenance services of transmission equipment in 2019	
		- Telecommunications equipment lease contract for 2019	
		- Commission to collect on accounts receivable for 2019	Approved as proposed
		- Transactions with SK Broadband for oksusu basic monthly rate plan	Approved as proposed
		- Transactions with SK Infosec for 2019	Approved as proposed
		- Service transactions with SK Planet for 2019	Approved as proposed
The 9th meeting of 2018	December 10, 2018	- Product/service transactions with ADT CAPS for 2019	Approved as proposed
		- Product/service transactions with Groovers for 2019	Approved as proposed
		- Service transactions with SK Wyverns for 2019	Approved as proposed
		- Purchase of expendable supplies from Happynarae for 2019	Approved as proposed
		- Remuneration for external auditor for fiscal year 2019	Approved as proposed
		- Audit plan for fiscal year 2019	

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

Table of Contents**3. Shareholders Exercise of Voting Rights****A. Voting System and Exercise of Minority Shareholders Rights**

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

Articles of Incorporation	Description
Article 32(3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12 th Supplement to the Articles of Incorporation (Interim Regulation)	Article 32(3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.
	During the 34th general meeting of shareholders held on March 21, 2018, the Company adopted the electronic voting method. Pursuant to Article 368-4 of the Korean Commercial Code, the Company entrusted the Korea Securities Depository with the role of administering the electronic voting system, allowing shareholders to exercise their voting rights through electronic voting without attending the general meeting of shareholders.

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

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

(As of December 31, 2018)

(Unit: in shares and percentages)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period Number of shares	Ownership ratio	End of Period Number of shares	Ownership ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	21,624,120	26.78
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Dong Hyun Jang	Officer of affiliated company	Common share	251	0.00	251	0.00
Jung Ho Park	Officer of the Company	Common share	1,000	0.00	1,000	0.00
Total		Common share	20,364,803	25.22	21,625,471	26.78

B. Overview of the Largest Shareholder

As of December 31, 2018 the Company's largest shareholder was SK Holdings Co., Ltd. (SK Holdings). SK Holdings was established on April 13, 1991 and was made public on the securities market on November 11, 2009 under the identification code 034730. SK Holdings is located at 26, Jong-ro, Jongno-gu, Seoul, Korea. SK Holdings' telephone number is +82-2-2121-5114 and its website is www.sk.co.kr.

C. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows:

(As of December 31, 2018)

(Unit: in shares and percentages)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
SK Holdings	January 2, 2014	20,367,290	25.22	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	March 24, 2014	20,368,290	25.23	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	January 2, 2015	20,364,290	25.22	Shin Won Chey, SKC's Chairman, disposed of 4,000 shares
	March 20, 2015	20,363,803	25.22	

			Appointment of CEO Dong Hyun Jang (ownership of 251 shares of the Company), Retirement of Sung Min Ha
June 9, 2015	20,365,006	25.22	Purchase through the Share Exchange between SK Broadband and SK Telecom (Shin Won Chey, SKC's Chairman, purchased 1,067 shares, and Myung Hyun Cho, SK Broadband's independent director, purchased 136 shares)
August 3, 2015	20,364,930	25.22	Myung Hyun Cho, SK Broadband's independent director, disposed of 76 shares
March 24, 2017	20,364,870	25.22	Retirement of Myung Hyun Cho, SK Broadband's independent director (ownership of 60 shares of the Company)

Table of Contents

(As of December 31, 2018)

(Unit: in shares and percentages)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
	March 28, 2017	20,365,370	25.22	Jung Ho Park, CEO of the Company, purchased 500 shares.
	March 30, 2017	20,365,870	25.22	Jung Ho Park, CEO of the Company, purchased 500 additional shares.
	July 7, 2017	20,364,803	25.22	Shin Won Chey, SKC's Chairman, disposed of 1,067 shares.
	December 27, 2018	21,625,471*	26.78	Exchange of shares of SK Infosec with the Company in exchange for 1,260,668 shares of the Company

* 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, 2018)

(Unit: in shares and percentages)

Name (title)	Number of shares	Common share Ownership ratio	Remarks
SK Holdings	21,624,120	26.78%	
Citibank ADR	8,179,260	10.13%	
SK Telecom	8,875,883	10.99%	Treasury shares
National Pension Service	7,879,982	9.76%	
Shareholdings under the Employee Stock Ownership Program			

B. Shareholder Distribution

(As of December 31, 2018)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	52,896	99.9%	33,196,466	41.11%	

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

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

Types		December 2018	November 2018	October 2018	September 2018	August 2018	July 2018
Common stock	Highest	287,500	289,500	286,000	282,000	264,500	250,500
	Lowest	266,000	257,500	268,000	256,500	247,000	227,500
	Average	277,214	273,682	276,239	270,075	258,239	236,773
Daily transaction volume	Highest	292,632	301,613	366,619	281,368	330,055	253,252
	Lowest	120,473	79,464	86,030	81,581	95,808	58,474
Monthly transaction volume		3,781,880	3,818,659	4,203,920	3,311,054	3,567,245	2,843,944

B. Foreign Securities Market (New York Stock Exchange)

Types		December 2018	November 2018	October 2018	September 2018	August 2018	July 2018
Depository receipt	Highest	28.10	28.37	27.73	27.88	26.17	24.79
	Lowest	26.61	25.60	25.91	25.76	24.67	22.85
	Average	27.28	26.81	26.93	26.80	25.54	23.52
Daily transaction volume	Highest	1,624,917	1,105,522	1,328,133	1,089,987	760,091	655,966
	Lowest	306,393	280,308	206,848	231,579	289,470	162,840
Monthly transaction volume		12,394,114	13,596,197	12,706,252	9,270,228	10,911,314	7,395,548

Table of Contents**VI. EMPLOYEES AND DIRECTORS****1. Officers and Employees****A. Employees**

(As of December 31, 2018)

(Unit: in persons and millions of Won)

Business segment	Gender	Number of employees		Total	Average service year	Aggregate wage for the year of 2018	Average wage per person
		Employees without a fixed term of employment Part-time	Employees with a fixed term of employment Part-time				
	Male	4,043	67	4,110	12.3	505,781	123
	Female	742	93	835	8.3	62,811	80
Total		4,785	160	4,945	11.7	568,593	116

B. Compensation of Unregistered Officers

(As of December 31, 2018)

(Unit: in persons and millions of Won)

Number of Unregistered Officers	Aggregate wage for the year of 2018	Average wage per person
86	38,291	445

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

(As of December 31, 2018)

(Unit: in millions of Won)

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

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

(As of December 31, 2018)

(Unit: in millions of Won)

Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
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8	4,489	561
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2. Amount by Classification

(As of December 31, 2018)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director	Remarks
Inside Directors	3	4,085	1,362	
Independent Directors	1	82	82	
Audit Committee Members	4	322	81	
Auditor				

Table of Contents**3. Individual Compensation of Directors and Officers****A. Remuneration for Individual Directors**

(As of December 31, 2018)

(Unit: in millions of Won)

Name	Position	Total remuneration	Payment not included in total remuneration
Jung Ho Park	Representative Director and President	3,506	Stock options*
Young Sang Ryu	Head of Center	579	Stock options*

* See VI.4. Stock Options Granted to Directors and Auditors below for details on the number of stock options, exercise price and exercise period.

Composition of Total Remuneration

Name	Composition
Jung Ho Park	Total remuneration: Won 3,506 million
	Salary: Won 1,150 million in salary
	Bonus Won 2,350 million in bonus and
	Other earned income: Won 6 million
Young Sang Ryu	Total remuneration: Won 569 million
	Salary: Won 269 million in salary
	Bonus: Won 300 million
	Other earned income: Won 10 million

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

(Unit: in millions of Won)

Name	Position	Total remuneration	Payment not included in total remuneration
Sung Won Suh	Head of Business Department	4,110	
Jung Ho Park	President	3,506	Stock options*
Ho Cheol Yeo	Head of Office	1,777	
Byeong Hyeok Chun	Head of Group	1,675	
Ho Soo Lee	Executive Officer	1,200	

* See VI.4. Stock Options Granted to Directors and Auditors below for details on the number of stock options, exercise price and exercise period.

Composition of Total Remuneration

Name	Composition
Sung Won Suh	Total remuneration: Won 4,110 million

Salary: Won 700 million

Other earned income: Won 13 million

Retirement pay: Won 3,397 million

Jung Ho Park	See VIII.3.A. Remuneration for Individual Directors above.
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Ho Cheol Yeo	Total remuneration: Won 1,777 million
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Salary: Won 83 million

Bonus: Won 254 million

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Other earned income: Won 606 milion

Retiremen pay: Won 834 million

Byeong Hyeok Chun

Total remuneration: Won 1,675 million

Table of Contents

Salary: Won 363 million

Bonus: Won 344 million

Retirement pay: Won 968 million

Ho Soo Lee Total remuneration: Won 1,200 million

Salary: Won 410 million

Bonus: Won 226 million

Retirement pay: Won 564 million

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

(As of December 31, 2018)		(Unit: in millions of Won)	
Classification	Number of Directors	Fair Value of Stock Option	Remarks
Inside Directors	3	593	
Independent Directors	1		
Audit Committee Members	4		
Total	8	593	

* See note 22 of the notes to the Company's consolidated financial statements attached hereto for more information regarding the calculation method for the fair value of stock options.

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

B. Stock Options Granted and Exercised

As of December 31, 2018)

(Unit: in Won and shares)

Grantee	Relationship with the Company	Date of Grant	Method of Grant	Change of Unexercised Number		Exercise Period	Exercise Price
				Granted	Cancelled		
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	22,168	March 25, 2019	246,750
Jung Ho Park						March 24, 2022	
						March 25, 2020	
	Inside Director	March 24, 2017	Treasury stock	22,168	22,168	March 24, 2023	266,490
Jung Ho Park	Inside Director	March 24, 2017	Treasury stock	22,168	22,168	Mach 25, 2021	287,810
						March 24, 2024	
Young Sang	Inside Director	February 20, 2018	Treasury stock	1,358	1,358	February 21, 2020	254,120
Ryu						February 20, 2023	

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

(As of December 31, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details			Accrued interest	Remarks
			Beginning	Increase	Decrease		
SK Wyverns	Affiliate	Long-term and short-term loans	611		204	407	

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

(As of December 31, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Type of investment	Details Change			Remarks	
			Beginning	Increase	Decrease		Ending
SK Telecom Japan Inc.	Affiliate	Equity		10,316		10,316	Newly Established
Atlas	Affiliate	Equity	84,495	9,833		94,328	Capital increase
id Quantique Ltd.	Affiliate	Equity	2,329	56,885		59,214	Capital increase
Iriver Ltd.	Affiliate	Equity	91,642	65,000		156,642	Capital increase
SE ASIA INVESTMENT PTE. LTD.	Affiliate	Equity		111,000		111,000	Newly Established

Purchase and Disposition of Securities

(As of December 31, 2018)

(Unit: in millions of Won)

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

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

Transfer of Assets

None.

Table of Contents**3. Transactions with the Largest Shareholder and Related Parties**

(As of December 31, 2018)

(Unit: in millions of Won)

Name

(Corporate name)	Relationship	Type of Transaction	Transaction Period		Transaction Details	Transaction Amount
PS&Marketing	Affiliate	Purchase and Sale	Jan. 1, 2018	Dec. 31, 2018	Marketing commissions	1,516,116

4. Related Party Transactions

See note 38 of the notes to the Company's consolidated financial statements attached hereto for more information regarding related party transactions.

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

(As of December 31, 2018)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Remarks
				Increase	Decrease		
Baekmajang and others	Agency	Long-term and short-term loans	61,930	212,764	212,907	61,787	
Daehan Kanggun BCN Inc.	Investee	Long-term loans	22,147			22,147	

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

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

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	Election of an independent director as Audit Committee member	Approved (Won 12 billion)
		Approved
	Election of an independent director as Audit Committee member	
	5. Approval of remuneration limit for directors	
	6. Award of stock options	
	1. Approval of the financial statements for the year ended December 31, 2017	Approved (Cash dividend, Won 9,000 per share)
	2. Award of stock options	Approved
	3. Election of directors	Approved (Young Sang Ryu)
34th Fiscal Year Meeting of Shareholders (March 21, 2018)	Election of an inside director	Approved (Youngmin Yoon)
	Election of an independent director	Approved (Youngmin Yoon)
	4. Election of an independent director as Audit Committee member	Approved (Won 12 billion)
	5. Approval of remuneration limit for directors	
35th Fiscal Year Meeting of Shareholders (March 26, 2019)	1. Approval of the financial statements for the year ended December 31, 2018	Approved (Cash dividend, Won 9,000 per share)

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|----|---|---------------------------|
| 2. | Amendments to Articles of Incorporation | Approved |
| 3. | Approval of award of stock options | Approved |
| 4. | Award of stock options | Approved |
| 5. | Election of an independent director | Approved (Seok-Dong Kim) |
| 6. | Election of an independent director as Audit Committee member | Approved (Seok-Dong Kim) |
| 7. | Approval of remuneration limit for directors | Approved (Won 12 billion) |

Table of Contents**2. Contingent Liabilities****[SK Telecom]****A. Material Legal Proceedings**

None.

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
Claim for damages	November 2018	1,870,445	Pending before district court
Others		1,189,296	
Total		3,059,741	

(2) SK Broadband as the defendant

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Claim for damages	July 2017	3,236,252	Pending before district court
Others		2,499,038	
Total		5,735,290	

The Company does not believe that the outcome of any of the proceedings above 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 139 billion with four 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 11 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 3,868 million to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

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

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 28,834 million to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

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

[SK M&Service]

SK M&Service has entered into a transaction performance agreement with SK Energy Co., Ltd. and issued a blank note to SK Energy Co., Ltd. as collateral in connection with the agreement.

Table of Contents

[SK Infosec]

SK Infosec has issued a blank note to SK Holdings as collateral in connection with a contract performance guarantee.

3. Status of Sanctions, etc.

[SK Telecom]

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

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

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

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

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

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

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

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

*** Important matters that occurred after December 31, 2018**

On January 3, 2019, the Company entered into a memorandum of understanding with Content Alliance Platform Inc., a joint venture among three major terrestrial broadcasters in Korea (KBS, MBC and SBS), to pursue the combination of oksusu with POOQ, in order to secure competitiveness in the rapidly changing media industry.

Table of Contents

On February 21, 2019, in order to strengthen the competitiveness of its media business, the Company entered into a memorandum of understanding with Taekwang Industrial Co., Ltd., the largest shareholder of Tbroad, to pursue a merger between SK Broadband and Tbroad.

[SK Broadband]

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

Date: August 2, 2016

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

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

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

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

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

Date: September 2, 2016

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

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

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

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

(3) Violation of the Telecommunications Business Act

Date: September 27, 2016

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

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

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

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

(4) Violation of the Telecommunications Business Act

Date: December 6, 2016

Table of Contents

Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests in relation to bundled high-speed Internet 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 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 Measures: Implement the correctional order and pay the fine.

(5) Violation of the Internet Multimedia Broadcast Services Act

Date: December 21, 2016

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

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

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

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

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

Date: July 13, 2017

Sanction: SK Broadband was imposed a fine of Won 12 million for breach of restrictions on transmission of advertising information for profit.

Reason and the Relevant Law: Violated Articles 50-1, 50-4 and 76 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. and Article 74 of its Enforcement Decree for electronic transmission of advertisements without prior consent of the recipient.

Status of Implementation: Implemented improvements to advertisement transmission related activity and paid the fine in July 2017.

Company's Measures: Implement improvements to advertisement transmission related activity.

(7) Violation of the Telecommunications Business Act

Date: December 6, 2017

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

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

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

Table of Contents

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

(8) Violation of the Telecommunications Business Act

Date: October 12, 2018

Sanction: SK Broadband received a correctional order (corrective measures for violation of the Telecommunications Business Act related to representative phone number card payment services).

Reason and the Relevant Law: Violated Article 50-1 Paragraph 5(2) of the Telecommunications Business Act and Article 42-1 of its Enforcement Decree by failing to explain or disclose or misrepresenting important matters to users such as rates, contract conditions or rate discounts.

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

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

(9) Violation of the Telecommunications Business Act

Date: February 25, 2019

Sanction: SK Broadband received a correctional order and was imposed a fine of Won 2.8 million (for violation of the Telecommunications Business Act related to a misrepresentation of statistics).

Reason and Relevant Law: Violated Article 88-1, Article 92-1 and Article 104-5(17) of the Telecommunications Business Act by failing to accurately report the number of high-speed Internet subscribers.

Status of Implementation: Submitted plans for implementation of correctional order, including improvement of relevant business procedures.

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

[Home & Service]

(1) Violation of the Employment Insurance Act

Date: January 19, 2018

Sanction: Home & Service received a fine of Won 504,000.

Reason and the Relevant Law: Violated Article 15 of the Employment Insurance Act by delaying the reporting of matters related to changes in employees' insurance eligibility.

Status of Implementation: Paid the fine.

Company's Measures: Implement measures to improve reporting procedures.

(2) Violation of Industrial Safety and Health Act

Date: March 12, 2018

Sanction: Home & Service received a fine of Won 5.04 million.

Reason and the Relevant Law: Violated Article 10-2 of the Industrial Safety and Health Act by delaying the reporting of details of industrial accidents.

Status of Implementation: Paid the fine.

Table of Contents

Company's Measures: Improve management of industrial accidents.

(3) Violation of Industrial Safety and Health Act

Date: April 30, 2018

Sanction: Home & Service received a correctional order for failing to establish an industrial safety and health committee and providing training related to employee safety and health.

Reason and the Relevant Law: Violated Articles 19-1 and 31-1 of the Industrial Safety and Health Act for failing to establish an industrial safety and health committee and provide training related to employee safety and health in the first quarter of 2018.

Status of Implementation: Paid the fine, resolved to establish an industrial safety and health committee on May 16, 2018 and conducted additional offline and online training programs.

Company's Measures: Implement the correctional order.

[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 Measures: 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 Measures: 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).

Table of Contents

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

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

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

Date: April 10, 2017

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

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

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

- (5) Violation of the Foreign Exchange Transactions Act

Date: April 27, 2018

Sanction: SK Planet paid a fine of Won 10 million for failing to pre-register its Payment Gateway business, as required by a change in applicable law.

Reason and the Relevant Law: Violated Article 8-1 of the Foreign Exchange Transactions Act.

Company's Measures: Engage in close monitoring to avoid future recurrences of violation.

[Eleven Street]

(1) Violation of the Electronic Financial Transactions Act

Date: May 4, 2016

Sanction: Financial Services Commission imposed a fine of Won 25 million on Eleven Street.

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 Measures: Implemented procedures to prevent recurrence such as establishing 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 (fine); September 12, 2016 (warning)

Sanction: Eleven Street received a fine of Won 5 million and a warning.

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

Table of Contents