



# SK networks

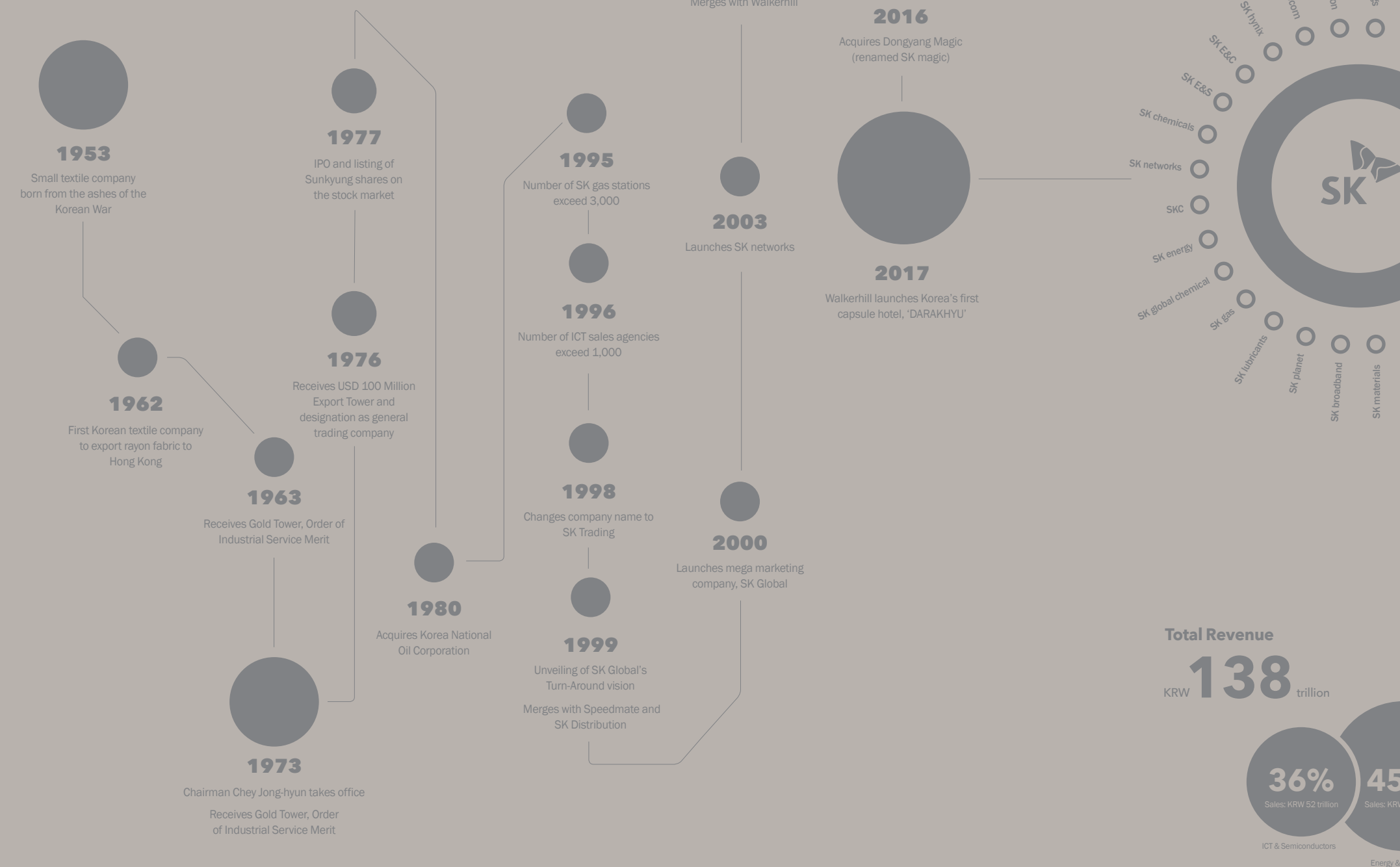
SK networks Profile 2018



## HISTORY

Looking beyond today to tomorrow!  
Sixty-five years with our customers!

The birth of SK networks in 1953 marked the start of a new chapter of growth for the Korean economy which had just emerged from the devastation of the Korean War. From the beginning, SK networks always strived to be a partner to our customers. It worked alongside the Korean people to deliver hopes and dreams to the nation rebuilding itself from the ashes of war.



## SK Group Overview

From its beginning as Sunkyung Textiles, the precursor to the current SK networks, SK Group has grown into a global corporation by relentlessly pursuing change and innovation.

With its sound corporate culture and advanced management system, SK is creating new value in diverse fields including energy, chemicals, ICT, semiconductors, distribution services and bio industries.

The energy/chemicals division leads global growth, while the ICT/ semiconductor division powers technological innovation, and the marketing/service division promotes customer happiness by focusing on bold change and innovation, to foster a virtuous cycle of value.

SK is striving to create diverse values by uncovering new growth drivers. To this end, we embrace fundamental changes in our business model, organization and corporate culture.

### Energy & Chemicals

From petroleum and petroleum products to energy development, electric car batteries and renewable energy, eco-friendly materials, chemicals, pharmaceuticals and bio, SK continues to evolve and grow in global competitiveness by constantly pursuing technology innovation and embracing challenge.

- SK innovation supplies lithium-ion battery cells for electric cars to Daimler AG and Benz
- SK energy achieves no.1 market share in domestic petroleum market
- SK gas achieves no.1 domestic market share in LPG, SK E&S secures domestic no.1 position in city gas
- SK chemical develops world's first eco-friendly bio copolyester material, Ecozen®
- SK global chemical completes first factory to commercialize Nexlene production with SABIC, a petrochemical firm
- SKC achieves global no.1 market share in optical film

SK innovation / SK energy / SK global chemical / SK lubricants / SK Incheon petrochem / SK trading international / SK discovery / SK chemicals / SKC / SK E&S / SK gas / SK biopharmaceuticals / SK biotek

### ICT & Semiconductors

With our extensive capabilities and assets in the telecommunication services and solutions business, along with semiconductors, we are maintaining our market leadership in semiconductors and ICT, despite the rapid changes brought on by new platforms, convergence as well as innovations in on/offline services.

- SK telecom builds world's first IoT-specific LoRa network
- SK hynix develops world's first 16GB module based on 16GB DDR4 NVDIMM
- SK hynix begins mass production of 128GB UFS 2.1, a next-generation storage device for mobile devices
- SK broadband launches Korea's first global services for content delivery network (CDN)

SK telecom / SK hynix / SK planet / SK tech / SK broadband / SK telesys / SK telink / SK communications / SK materials / SK siltron

### Distribution Services & Bio

SK is opening up new horizons by incorporating change in our business structure and introducing creative ideas and pioneering technology. Our record of innovation continues in diverse areas including logistics, distribution, lifestyle infrastructure, hotel services and construction.

- SK networks operates SK rent-a-car, Korea's no.2 rental car company with a fleet of 70,000 vehicles
- SK networks operates Speedmate, auto maintenance brand with 700 shops nationwide
- SK magic, no.1 in Korean market share for main kitchen appliances (gas/electric range, dishwasher)
- SK E&C is the first construction firm to obtain the highest rating in Win-Win Index
- SK shipping, first in the world to sign contract to transport shale gas

SK networks / SK magic / SK E&C / SK shipping

Total Revenue

**138** trillion KRW

Affiliates & Subsidiaries

**101** Companies

Global Network

Operates in **40** countries

**36%**

Sales: KRW 52 trillion

ICT & Semiconductors

**45%**

Sales: KRW 62 trillion

Energy & Chemicals

**19%**

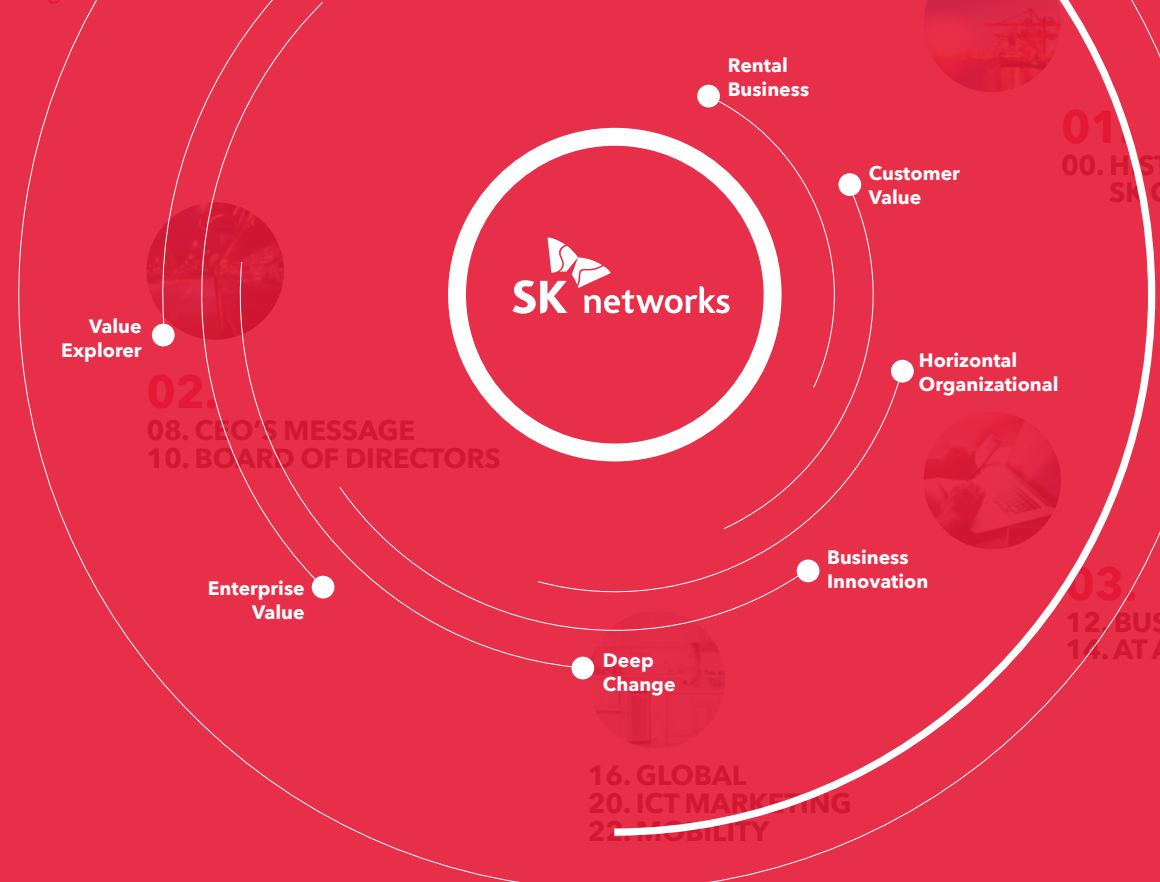
Sales: KRW 24 trillion

Distribution Services & Bio

## Customer Value Strategy Explorer

We foster a corporate culture in which employees can enjoy their work and the company can increase value. With a sound corporate culture, we will establish bold goals to increase customer value, pursue active communication and continuous innovation to realize our goals, and fulfill our responsibility as a customer value explorer.

1. Focus on nurturing two business axes of 'rental appliances' and 'mobility'
2. Innovate business model to focus on customer value
3. Share tangible and intangible assets and boost competitiveness of global business



SK networks for your everyday life!

SK networks is always searching to provide new services for customers to deliver innovative value and enrich their everyday lives. In this way, we are connecting today with tomorrow's values as a 'Customer Value Explorer.'

Exploring a wider world through global operations, Paving the way to the future through ICT, Mobility for a smart car life and energy recharging, Walkerhill for creative and comprehensive culture services, Rental services for optimal convenience

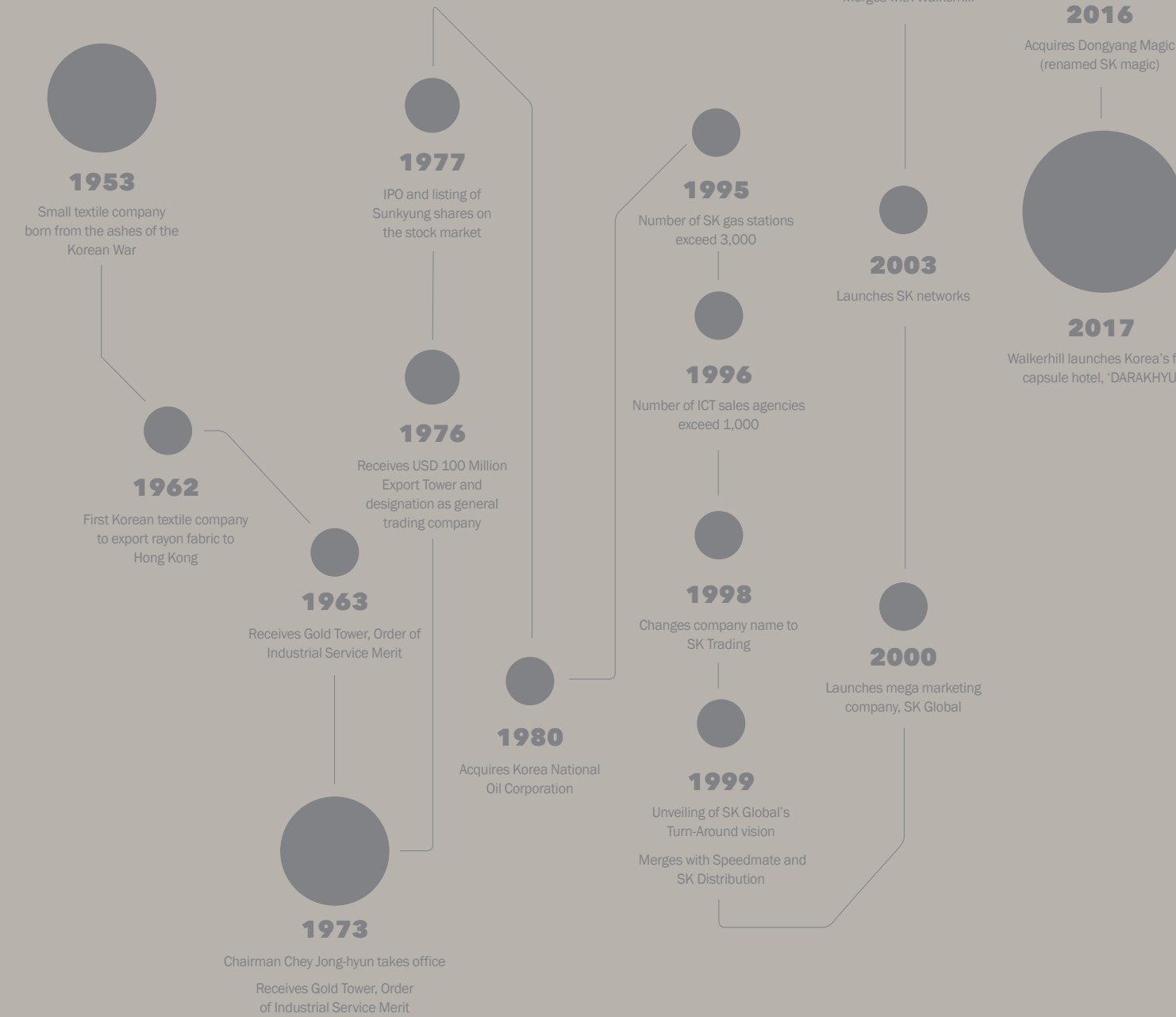
As a lifestyle partner, SK networks will always strive to maximize customer value today and explore future value for tomorrow.

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- 05. 26. HOTEL & RESORT 28. RENTAL-APPLIANCES (Subsidiaries) 33. FAIR TRADE

# HISTORY

Looking beyond today to tomorrow!  
Sixty-five years with our customers!

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Total Revenue	Affiliates & Subsidiaries	Global Network
KRW 138 trillion	101 Companies	Operates in 40 countries

# 2018 Management Strategy

SK networks seeks to innovate corporate value through digital transformation as a Customer Value Explorer.

We foster a corporate culture in which employees can enjoy their work and the company can increase value. With a sound corporate culture, we will establish bold goals to increase customer value, pursue active communication and continuous innovation to realize our goals, and fulfill our responsibility as a customer value explorer.

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# INSIDE GLOBAL

SK networks

## 01.

SK networks creates value for customers around the world through global trading.

Our global trading business encompasses chemicals, steel, automotive, coal and other industrial materials. We aim to solidify our reputation as a global trading company specializing in the trade of industrial materials. Additionally, we are expanding our global business through synergy with SK magic.



# EXPLORER





# IDEAS TO REACH SUCCESS



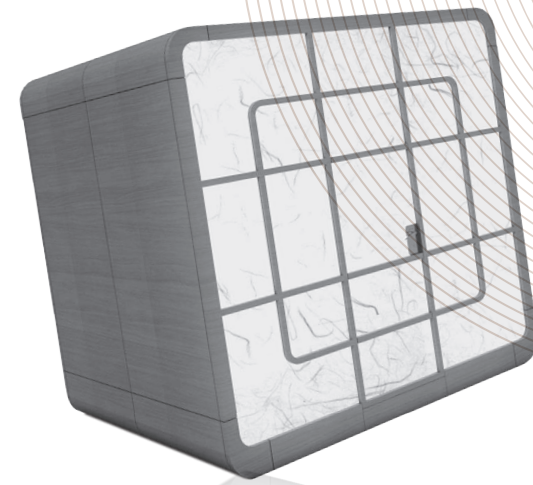
## 02.

SK networks provides new and creative services to offer enhanced convenience to customers.

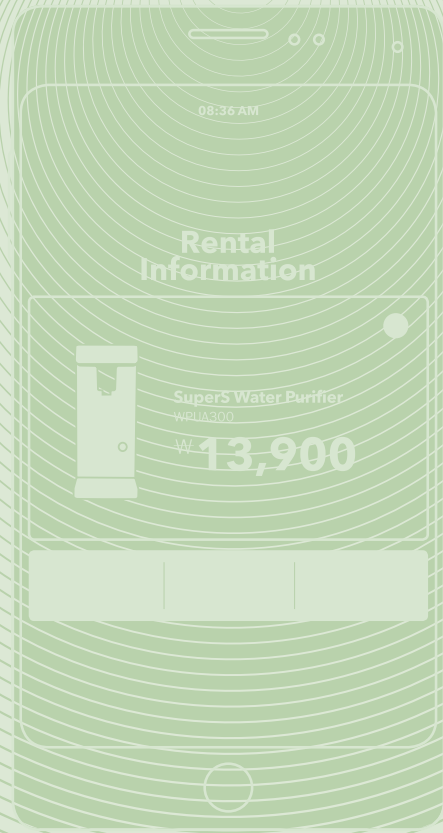
Comprehensive mobility membership service, Most, world's first application of IoT vehicle management system, SmartLink, Korea's first capsule hotel, DARAKHYU, SK networks' creative services deliver smart value to our customers.



# EXPLORER



BUILDING  
BEAUTIFUL THINGS



**03.**

SK networks offers efficient services so our customers can lead healthy and comfortable lives.

SK rent-a-car's new car-life services and SK magic's appliance rental service deliver efficient value to customers.



EXPLORER  
EXPLORER



# CEO's Message



CEO & Chairman **Choi Shin-won**

## Dear stakeholders,

Looking back on 2017, the year presented numerous challenges at home and abroad amidst the protective trade policies and interest rate hikes in the US, despite the overall recovery in the global economy. In this environment, SK networks concentrated on preparing the framework for a growth-oriented business structure and on stabilizing our financial structure.

2018 is likely to present yet more uncertainties due to the fast-changing business environment brought on by the 4th industrial revolution and sharing economy, in addition to ever-growing competition. To proactively respond to these changes, we are focusing on two major business axes of 'appliance rental' and 'mobility' to increase customer value and thereby our own corporate value. To this end, we will pursue the following three management objectives.

### First, we will grow and expand customer value in the appliance rental business.

Household appliance rental is a core business for us in 2018 and we aim to lead the market through innovative products and services that prioritize customer satisfaction. Furthermore, we will actively seek cooperative ties with other group affiliates and outside companies to offer products and services that will upgrade our customers' lifestyles. Our mid-to long-term goal is to expand into the healthcare sector to establish ourselves as a total health and lifestyle solutions provider.

### Second, we will create new business models that enhance customer value based on shareable assets and memberships.

We will draw on our assets in the energy retail sector that are in key locations nationwide to establish a mobility-centered total customer service system. Our rent-a-car, Speedmate and comprehensive membership program that allows customers to increase their value will play a pivotal role in setting up this system. Additionally, we will expand services related to electric car charging and parking, as well as contents based on external alliances, to continually increase customer convenience and satisfaction.

### Third, we will further strengthen our global business base to preemptively deal with the fast-changing global market.

We will harness our experience and knowhow in opening up new overseas markets, in addition to our extensive global network, to actively pursue expansion into new global markets and increase global partnerships.

Thanks to your steadfast support and encouragement, SK networks has become a sustainable company and we will not rest in our efforts to become a leading corporation. We will also abide by fair trade rules to realize ethical management and maximize value for all stakeholders through sound growth and development.

Thank you.

CEO & President **Park Sang-kyu**



# Board of Directors

## Creating future value through transparent management

SK networks practices transparent management through BOD-centered activities. We established a BOD secretariat to support our board members and maintain an advanced corporate governance structure. Additionally, we increased the ratio of outside directors on the BOD to maximize investor profits. Committees under the BOD such as the Audit Committee are also headed by outside directors to maintain a strong and detailed system of checks and balances. In this way, we are striving to create sounder future value and repay our customers and investors through management transparency.

### 1. Cho Dae-sik

Chairman of the BOD /  
Chairman of the SUPEX Council

### 2. Choi Shin-won

CEO / Chairman

### 3. Park Sang-kyu

CEO / President

### 4. Hur Yong-suk

Outside Director /  
Standing Advisor, Samil Accounting Firm

## Delivering trust and conviction to shareholders and customers

### Enhanced transparency in corporate governance

We have already established the most advanced corporate governance structure in Korea and are readying diverse systematic tools to enable a BOD-centered management style that maximizes shareholder profits. Furthermore, committees under the BOD conducts checks and balances on the CEO.

### Strengthened audit function

The Audit Committee is composed solely of outside directors to safeguard the committee's independence. It is also given strong check functions and authority.

### Greater accounting transparency and compliance activities

We upgraded our internal controls and are actively applying a system to have financial documents certified by the CEO. This has resulted in heightened credibility from shareholders and financial institutions. The introduction of a compliance officer system has also strengthened management stability through systemized compliance standards.

### Ethical management

In addition to enhancing transparency to maximize shareholder profits, we aim to fulfill our duties and responsibility to partner firms, customers and even competitors to foster a corporate culture that contributes to the greater social good. To this end, we introduced ethical management for all employees and adopted a detailed Code of Conduct.

### 5. Lee Cheon-sei

Outside Director /  
Partner, DongIn Law Group

### 6. Ha Young-won

Outside Director /  
Professor of Marketing, Sogang University

### 7. Im Ho

Outside Director /  
Lawyer and Professor (Intellectual Property Law),  
Hongik University

BOD Committees (as of March 2017)

#### Audit Committee

Members:

3 outside directors: Hur Yong-suk (Committee chair), Lee Cheon-sei, Ha Young-won

Role: Audit management activities, examine soundness and validity of financial activities, check accuracy of financial statements along with validity of accounting standards and changes in accounting estimates

#### Nominating Committee for Outside Directors

Members:

1 director: Park Sang-kyu (CEO)

2 outside directors: Lee Cheon-sei (Committee Chair), Im Ho

Role: Establish process for nomination of outside directors, form pool of candidates, nominate candidates



# BUSINESS OVERVIEW



16p~19p

## Global

With over 50 years of global business experience, we retain diverse and differentiated competitiveness in global sourcing, market intelligence and strategic networking. These strengths are applied to our global trading business centering on industrial commodities such as chemicals, steel, automotive and coal. Using our global outposts, we have secured a stable profit structure through strategic partnerships with major overseas suppliers.

FY17 Sales

KRW **6,489.2** billion



20p~21p

## ICT Marketing

Our ICT business maintains a solid lead as the nation's no.1 mobile phone distributor. Our leadership is based on the most expansive mobile phone distribution network in Korea and annual sales of over 7 million handsets. In addition to mobile phones, we continue to expand the range of ICT products offered to tablet PCs, IoT devices related to smart homes and ICT accessories. Our subsidiary SK networks service also provides diverse services including network operations of SK telecom and SK broadband, as well as distribution of IT solution communications systems equipment.

FY17 Sales

KRW **5,172.0** billion  
(including SK networks service)



22p~25p

## Mobility

SK networks has retained market leadership in the energy retail sector for the past 40 years, supplying petroleum products (gasoline, kerosene and diesel) to customers through our nationwide network of gas stations, asphalt sales and bunker oil (shipping fuel) business. Speedmate continues to expand its reach from its beginnings as an auto repair business to include emergency roadside services, imported car maintenance, distribution of car parts and tires, to exports of auto parts. SK rent-a-car delivers high levels of satisfaction by developing new services that enhance convenience for customers through our differentiated service infrastructure and membership benefits.

FY17 Sales

KRW **2,777.6** billion



26p~27p

## Hotel & Resort

Walkerhill Hotel & Resort is a leader in the domestic hotel industry, offering general and business clients an oasis of rest and culture amid lush green surroundings in a city setting. Grand Walkerhill Seoul and Vista Walkerhill Seoul, the newly renovated Douglas House, along with Korea's first airport capsule hotel 'DARAKHYU' shows the diversity and range of cultural spaces offered to customers to fulfill their evolving needs.

FY17 Sales

KRW **216.4** billion



28p~31p

## Rental Appliances

SK magic joined the SK networks family in November of 2016. The premium home appliance company had introduced gas ovens to the Korean market for the first time in 1985 and is continuing to expand its business scope to include gas/electric cooking ranges, electric ovens, dishwashing machines, water purifiers, air cleaners and bidets. SK magic is harnessing its more than 30 years of experience to make greater inroads into the growing appliance rental market.

FY17 Sales

KRW **547.9** billion

# At a Glance

## 2017

### April

#### Opening of Vista Walkerhill Seoul

Vista Walkerhill Seoul reopened after renovations as a new lifestyle space offering harmony between nature, people and the future. Within the overall concept of sustainable luxury, various technologies have been introduced to develop unique contents provided by Vista Walkerhill Seoul where "life, nature, and the future coexist". The newly reopened space allows guests to enjoy ultimate relaxation inspired by nature and a healthy future.

#### Speedmate becomes exclusive supplier of Matador tires, a first in Asia

Speedmate inked a partnership agreement with Germany's Continental to become the first in Asia to supply Matador tires. Through the agreement, Speedmate acquired exclusive rights to supply the Korean market with Matador tires. Matador is a global strategic brand of tires adopting technologies from Continental, one of Europe's largest tire makers. Speedmate plans to further strengthen partnerships with overseas tire manufacturers and over the long run, construct its own tire distribution system.



### May

#### SK networks CEO and Chairman Choi Shin-won wins Global Philanthropy Award at United Way Community Leaders Conference

Choi Shin-won, CEO and Chairman of SK networks and member of the United Way Worldwide (UWW) Leadership Council, became the first person in Asia to join the United Way 10 Million Dollar Roundtable. He received the recognition for his donations to the Community Chest of Korea and pledge of future donations. In addition to the donations, the award sheds light on Choi's activities in leading philanthropic activities in Asia and role in solving global social issues as part of the UWW Leadership Council. Furthermore, Choi helped spread awareness and action for providing assistance to other countries such as Mexico and China.



#### Speedmate signs agreement with Poolus on vehicle management

Speedmate signed a working agreement with Poolus, an O2O car pool service provider, to provide improved services to customers. With the agreement, Speedmate will be able to provide vehicle maintenance and certification services for Poolus driver registration at some 100 locations in and around the capital.

### June

#### Jeju Pinx Resort selected as one of top 100 golf resorts in the world for 2017

The Jeju Pinx Golf Resort, which along with the Podo Hotel within the same resort is operated by SK pinx, was included in the top 100 golf resorts in the world by Great Golf Magazine. Based in England, Great Golf Magazine is one of Europe's leading magazines providing readers with diverse information on golf travel and golf-related lifestyles.

#### Speedmate signs exclusive supply agreement with Multistrada Arah Sarana (MASA)

Speedmate signed an exclusive agreement to supply the Korean market with Achilles tires by the Indonesian tiremaker MASA. The agreement reflects efforts to secure a more diverse tire brand portfolio and channels to answer customers' needs for more reasonable purchases and readied the foundation for long-term growth.



### September

#### Signed MOU with Hyundai Motor to build electric car charging infrastructure

SK networks signed an MOU with Hyundai Motor as part of plans to lead the future mobility market. One of the key contents of future mobility is charging infrastructure for electric cars. This led to our entering the first partnership of its kind in Korea between an energy distributor and auto manufacturer. According to the MOU, SK networks will lease three comprehensive fuel/charging stations, with two in Seoul and one in Daegu, for trial operation of Hyundai Motor's high speed electric car charging facilities. This will enable both companies to move closer to building charging infrastructure for the upcoming electric car era, providing mobility related services and testing competitive business models that can be applied to future markets.

### November

#### Signed mileage alliance with Asiana Airlines

SK networks signed a business agreement with Asiana Airlines and become the first in the industry to provide airline mileage points when fueling at gas stations. Customers who pay for gas at nationwide gas stations directly operated by SK networks using the mobile fueling application will be able to convert discounts on gas bills into Asiana Airlines mileage points.

### December

#### SK rent-a-car receives prize at 12th Korea Internet Award

SK rent-a-car received the Science and ICT Minister Prize in the Internet business category at the 12th Korea Internet Award for its online marketing platform. With the recognition, the company completed a hat trick for its website including the 2017 IBA and Web Award Korea. SK rent-a-car will continue with digital innovation and further pursue digital transformation of the rental business in line with the fourth industrial revolution.



## 2018

### January

#### Walkerhill enters agreement to jointly develop hotel robot with LG Electronics

Walkerhill signed an agreement with LG Electronics to jointly develop robot services for hotels. The strategic alliance will help uncover diverse services to be provided by robots and provide a differentiated and greater level of convenience for hotel guests.

#### Launched Most, a comprehensive mobility membership brand

SK networks launched Most (www.clubmost.com), a comprehensive mobility membership program by merging 'Zamong,' Korea's first mobile fueling application, and the company's own membership brand for directly-operated gas stations called 'Happy Auto Members.' The new program allows customers to enjoy combined membership benefits from fueling, car washes, car maintenance, tire, emergency roadside service and rental car services. The brand name 'Most' combines 'Mo' from mobility and 'St' from station, and refers to our determination to provide optimal mobility related services at nationwide SK networks gas stations and Speedmate centers.

### March

#### SK networks CEO and Chairman Choi Shin-won elected head of Korean Fencing Federation

CEO and Chairman Choi Shin-won was named the new president of the Korean Fencing Federation after elections to choose the 33rd head of the organization. In his acceptance speech, Choi said, "It is an honor for me to be elected president of the KFF. I will do my best to fulfill the wishes and expectations of those who supported me and work hard for the development of Korean fencing."



#### Signed strategic alliance agreement with Parking Cloud

SK networks entered into a strategic alliance with Parking Cloud, a company that offers smart parking solutions. The agreement is part of efforts to reinforce our mobility life platform. Through the agreement, SK networks is looking forward to increasing new members for its consolidated mobility membership program Most, enhancing business competitiveness by securing garages for SK rent-a-car, and generating synergy by using Parking Cloud parking zones for short/long-term rental car offices.



#### Established JV with Japanese appliance firm, cado

SK networks established a joint venture with Japanese appliance maker cado to enter into the Japanese beauty appliance market. Through the joint venture, SK networks expects to quickly develop premium beauty appliance products that reflect the latest global trends, verify marketability in the advanced Japanese market, source market-verified premium beauty appliances and supply them to the Korean and global markets. Meanwhile, cado will be able to benefit from diversifying its own product line which has been limited to air cleaners and humidifiers.

### April

#### SK networks celebrates 65th anniversary

On April 8th, SK networks, which is at the root of SK Group, celebrated its 65th anniversary. CEO and Chairman Choi Shin-won and CEO and President Park Sang-kyu joined other executives and 650 employees of SK magic and other subsidiaries in a ceremony at Seoul's Noeul Park. They planted a tree to symbolize their wish to create a 100-year-old company. In a speech, Choi told attendees, "Let us remember our founding philosophy of embracing challenges and pioneering spirit that led to the creation of our company amid the ashes of war. Let us continue to work hard together in spirit and mind, for the loyalty of our customers and society, and grow to celebrate our 100th anniversary."



#### Walkerhill signs investment deal for Hotel DARAKHYU with Expo 2012 Yeosu Foundation

Walkerhill signed an agreement with Expo 2012 Yeosu Foundation for investment in Hotel DARAKHYU. According to the agreement, Walkerhill will build the capsule Hotel DARAKHYU in the southern city of Yeosu, which has grown into a major tourist attraction with more than 13 million annual visitors. The Yeosu branch will mark the third Hotel DARAKHYU after the existing two in the first and second terminals at Incheon International Airport. The addition in Yeosu is expected to promote the local economy and act as a platform for designing traveler's experiences.

With over 50 years of international experience, we have built up our competitiveness in global trading with outstanding capabilities in global sourcing, market intelligence, and strategic networking, which we utilize in trading chemicals, steel, automotive, coal, and other industrial commodities. As we develop our global business by offering key products through trading posts around the world, we are forming strategic partnerships with major global suppliers and securing a stable profit structure. Going forward, we will continue our efforts to sustain growth by building a strong business platform for each business division. In particular, we will explore new growth engines by expanding our business scope through multifaceted partnerships with major global customers.

FY17 Sales

KRW **6,489.2** billion

Global Outposts

**20**

FY17 Exports

USD **4.5** billion



Trading aromatics,  
chemical fiber materials,  
solvents, and other  
chemical products



## Chemical

The chemicals division's products comprise raw materials for the petrochemical industry, including chemical fiber raw materials (PX, PTA, MEG, etc.), aromatics (BZ, SM, Tol, MX, etc.), methanol, solvents, fertilizers, and PU materials. The division works with long-term partners that are major global petrochemical producers from Korea (SKGC, GS Caltex, Lotte Chemical, S-Oil, etc.) and overseas (SABIC, Methanex, etc.) to carry out trading and local sales in Korea and China.

Harnessing operational expertise gained from manufacturing subsidiaries in China, namely Shantou PS, Ningbo PET and R-PET, we have been progressively growing our business in the Chinese market, the largest consumer in the world.

Following the shift in market demand for petrochemical products, we will also expand to the Americas and Southeast Asia.

- ※ PX : Paraxylene
- ※ PTA : Purified Terephthalic Acid
- ※ MEG : Monoethylene Glycol
- ※ BZ : Benzene
- ※ SM : Styrene Monomer
- ※ Tol : Toluene
- ※ MX : Mixed Xylene
- ※ PU : Polyurethane
- ※ PS : Polystyrene
- ※ PET : Polyethylene Terephthalate
- ※ R-PET : Recycled PET



Supplying steel products to buyers around the world, expanding customer contact points via local processing/distribution centers



## Steel



The steel division supplies overseas buyers with products made in Korea and abroad. We are actively involved in global trading with POSCO, Hyundai Steel, Dongkuk Steel and Dongbu Steel in Korea as well as steel mills in China and other regions such as Wuhan Iron and Steel, Anshan Iron and Steel, Jiangsu Shagang, Taiyuan Iron and Steel, and ArcelorMittal. We are also expanding the scope of our tripartite trade beyond exporting domestic products to sourcing overseas products.

Key items include hot-rolled coil, plates, cold-rolled coil, galvalume, long products and stainless steel products used in buildings, ships and homes. We export worldwide to China, Japan, Taiwan, India and Southeast Asia as well as the Middle East, Europe, the Americas and Australia.

- ※ Hot-Rolled Coil(HRC)
- ※ Plate
- ※ Cold-Rolled Coil/Galvalume

Supplying cars and related products to global buyers, seeking sustainable growth through product and regional expansion



Demonstrating capabilities in domestic coal trading, investing in the development of coal mines in Australia

Total Sales of Coal

**2.5** million tons

(Korea: 1.0 million tons,  
Australia: 1.5 million tons)

Equity Stake in Australian  
Coal Mines

**6** locations



## Automotive

The automotive division supplies CKD\*, CBU\*, auto parts and other related products to the global market. Key items range from finished cars and CKDs mostly made in Korea to auto parts such as car seats, while our major markets are based in the Middle East, Europe and Asia. The automotive division began in 2014 with the export of Korean cars and car parts to the Middle East. In 2016, we formed a strategic partnership with well-established buyers, which gave us a foundation for expansion. We entered the Chinese-made car

business in 2017 and continue to grow at a rapid pace. In 2018, we are expanding further with a stronger and more stable business portfolio. Our plan involves global sourcing and market expansion and discovering additional items like car-related parts. We will also continue developing our role as customer value explorer to secure RM-based profit and growth.

- ※ CKD: Completely Knocked Down
- ※ CBU: Completely Built Up



## Coal

The coal division launched the resource development business in 2005 and has since invested in numerous mining development projects for coal, iron ore, copper, and other nonferrous metals. In 2013, we reorganized the business portfolio to concentrate our capabilities on the domestic coal trade and development of coal mines in Australia. Based on such efforts, we have steadily reinforced our market presence.

Our goal for 2018 is to secure stable trading earnings based on effective management of investment assets.

# ICT Marketing

Professional ICT marketer delivering a happy digital life to customers

The ICT division is securely positioned as the no. 1 mobile phone distributor in Korea, selling over 7 million devices annually based on the nation's largest mobile phone sales network. We are progressively expanding our products to include not only mobile devices but also tablet computers, IoT devices for home automation, and ICT accessories. We also provide various services through our subsidiary SK networks service, including operation of SK telecom and SK broadband's networks as well as distribution of communication system equipment for IT solutions. The ICT division is now aiming to optimize existing business models based on innovation in customer value and discover new businesses. To that end, we will increase competitiveness by strengthening data-based marketing and improving services. We will also focus on discovering new business models that meet the needs of diverse customers by building a contents distribution platform, launching in-house brand ICT products, and more. Ultimately, we hope to make it more convenient and enjoyable for customers to stay connected to the world by providing them with customized digital life services as well as integrated online/offline/mobile platforms.

FY17 Sales

KRW **5,172.0** billion  
(including SK networks service)

Specializing in  
ICT sales and distribution  
with a focus on mobile  
devices



## ICT Marketing

Sales of Mobile Devices

**7.35** million  
(annually)

No. of Sales Agencies

**1,150**  
(as of end of December 2017)

### Mobile Phones

We are Korea's foremost mobile device distributor. With a mobile phone network and distribution infrastructure that spans the nation, we provide customers with the device they want, whenever and wherever they need it. Based on a solid partnership with SK telecom, the country's no. 1 mobile service carrier, we operate some 1,150 exclusive sales agencies. In addition to supplying these agencies with a variety of mobile devices purchased from both domestic and foreign manufacturers, we provide them with credit loans and operational consulting as part of our win-win business model. In the future, we plan to expand the role of the ICT business within the mobile phone market to secure profitability and sustainable growth.

### Distribution Service

We deliver differentiated value to our customers based on a nationwide distribution

infrastructure and system whose coverage has grown for the last 20 years alongside our ICT equipment distribution business. Based on our vast experience, we are expanding into third party logistics, storage & warehouse, and other related services. Looking ahead, we plan to build and expand an integrated distribution system that will help us maintain and develop leading SCM capabilities.

### ICT Device

We supply a variety of phone-related package products and accessories to meet the demand for ICT devices and accessories which has surged with the widespread use of smartphones. Our goal is to grow into a specialized ICT distributor that satisfies unmet customer needs with differentiated products and brands.

# Mobility

Strengthening growth potential through differentiated mobility services

SK networks has maintained market leadership in energy retail for the past 40 years through a nationwide network of gas stations supplying petroleum products (gasoline, kerosene, diesel), asphalt sales, and bunker oil business. In July 2016, we launched the Korea's first mobile fueling application called Zamong, and we diversified gas stations to include various food services and strengthened membership benefits to ensure SK networks' unique competitiveness.

Speedmate, the no. 1 brand in automobile service, began as a repair and maintenance business and grew to include emergency roadside service, imported car maintenance and parts distribution, tire distribution, and parts export. It also provides high-quality car-life services to customers through online/offline/mobile channels to solidify the brand's top place in the car aftermarket.

SK rent-a-car is the fastest growing brand in the industry and continues to raise customer satisfaction levels through the development of 'smart car services' based on differentiated service infrastructure and membership services. These include the car operation control system 'Smart Link' which uses the world's first SK LoRaWAN network dedicated to IoT as well as 'SK rent-a-car Online Direct Service' using artificial intelligence and virtual reality.

FY17 Sales

KRW **2,777.6** billion

As a leader in the domestic petroleum market, we continually strive to strengthen future growth potential by innovating management structure, improving service quality, and practicing differentiated marketing.



## Energy Retail

Annual Sales Volume

**6.4** million drums  
(approx.)

Gas Stations

**460** nationwide  
(approx.)

Membership

**1.34** million persons  
(approx.)

### Gas Stations

We offer high-test gasoline, kerosene, and diesel through a nationwide network of gas stations. In 2016, we launched the country's first mobile fueling application 'Zamong' to provide differentiated online to offline 'O2O' services. In 2018, we merged Zamong with our directly operated gas station membership brand 'Happy Auto Members' to introduce Most, an integrated mobility membership that covers fueling, car washing, maintenance, tire, emergency roadside assistance, and rental car services. We have also added a variety of food services (CU, McDonald's, Burger King, Krispy Kreme, etc.) to our gas stations to transform them into customer-friendly spaces and formed diverse marketing partnership to offer unique customer value. We will establish a sustainable business model that can maximize customer satisfaction through CS maintenance via regular

service evaluations, differentiated membership benefits, and diverse partnerships.

### Asphalt and Bunker Oil Sales

We supply premium asphalt products across the nation and are expanding our product range beyond regular asphalt to include high quality modified asphalt products with outstanding durability. In addition, we sell bunker C oil and marine lubricants to national flag-carrying vessels and inbound foreign vessels to Korea.



Not resting on Speedmate's success as the top brand in the car maintenance industry, we aim to become the no. 1 brand in the automotive aftermarket by expanding its business scope to tire distribution, imported car maintenance and parts supply.



## Speedmate \_Car Maintenance/Repair

### Repair and Maintenance / Tire Distribution

Speedmate has been credited with upgrading standards in Korea's automobile repair and maintenance industry by strengthening its own service quality with standardized prices, maintenance quality assurance practice, etc. based on systematic CS management. As such, Speedmate is recognized as the top brand in the industry and has upheld its no. 1 ranking on K-BPI, the Korea Brand Power Index, for sixteen consecutive years. We currently have a 700-strong network accessible nationwide, including locations at SK gas stations and E-mart. We are helping to make imported car maintenance more affordable by providing services at prices 30-40% lower than official dealerships. We offer repair and maintenance services for imported cars in some 220 shops staffed by mechanics with trusted expertise and knowhow.

Furthermore, we continue to strengthen service quality through customer-centered initiatives like "Fair Service Campaign" and "Conversations with Customers." Starting 2017, we began to directly purchase a number of domestic and imported tire brands and distribute them at reasonable prices to appeal to customers attracted to value for their money.

### Car Parts Distribution

Speedmate distributes imported car parts for the major imported brands in Korea and exports Speedmate PB (private brand) parts abroad. In 2015, we established the infrastructure for automotive aftermarket parts distribution by joining the global buying group TEMOT International and partnering with CARPOS, the

Korean alliance of car repair shops. By quickly developing the business with a focus on the major imported brands, we have established Speedmate as the current leader in the domestic imported car parts distribution market. We steadily increase the buyers by participating overseas parts expos, export high quality PB parts produced by verified Korean manufacturers to overseas parts distributors, and proactively expand targeting markets in regions that include Middle East, Russia, Central and South America.

### ERS

Our ERS business began in 2001 with Korea's first on-site accident assistance service. In 2005, we built the industry's first system for locating customers and linking them directly to dispatch networks, and have since made bold investments and systematically managed our network to provide sophisticated services. Currently, we operate a nationwide network of some 340 dispatch agencies and 24-hour call center for prompt services. We are also developing a variety of services in line with the evolving mobility environment, including mobile emergency dispatch services connected to Smart IVR and T-Map and emergency dispatch services based on the tracking device in mobile phones. Moving forward, we will continue to upgrade our ERS business model through the core infrastructure for mobility services like eCall for emergency calls and bCall for breakdown assistance, both based on remote diagnostics.

Maintenance centers

**700**

(approx.)

Annual sale of tires

**510,000**

(approx.)

No. **1** in **K-BPI**(Korea Brand Power Index)  
ranking, 16 consecutive years

(2003 ~ 2018)

Since its establishment in 2009 with 3,800 vehicles, SK rent-a-car continues on the path of growth to the tune of nearly 20% annually through unique total car-life services.



## Car Rental



### Individual Long-term Rentals

We offer leases that run from three to five years to individual customers and sole proprietors, giving them an economical and convenient way to enjoy brand new cars while SK rent-a-car manages all auto-related details like taxes, maintenance, and insurance as well as accident and sales processing. Customers can also enjoy benefits like discounts for gas and maintenance membership program. In March 2018, we launched Online Direct Service that incorporates artificial intelligence and virtual reality for added convenience.

### Corporate Long-term Rentals

For corporate clients, we offer long-term leases on vehicles used for business purposes. SK rent-a-car has established a nationwide network and has been aggressive in its marketing not only to large companies but also regional SMEs. We are building a mobile maintenance system that can be available throughout the whole country. Meanwhile, we differentiate our service competitiveness through 'Smart Link (car operation control system equipped with IoT technology)' by increasing operational efficiency and significantly reducing expenses.

### Short-term Rentals

The service applies to monthly rentals made by companies and public institutions for business use and short-term rentals made by individual customers on vacation or work trips. We use new cars that are less than a year old on average and also offer various discounts through our numerous business partners. Customers can access the service with ease and convenience on multiple channels, including social commerce sites, websites, and mobile platforms. We are also developing package products for 'smart car service' tailored to customer needs.

No. of Registered Vehicles

**84,000**

(approx.) (as of end of December 2017)

No. **1** on **KSSI**

(Korea Sales Service Satisfaction Index), 3 years running (2015~2017)

**Science and ICT Minister Prize, 12th Korea Internet Award**

(Internet business category)

# Hotel & Resort

Korea's finest hotel & resort facilities offering guests a true resting place in an urban setting

As Korea's leading representative in the hotel industry, Walkerhill Hotel & Resort offers guests the finest experience in leisure, culture, and business. We operate a variety of facilities best represented by the famed Grand Walkerhill Seoul and Vista Walkerhill Seoul in the heart of the city, the newly renovated Douglas House and DARAKHYU, the first airport capsule hotel in Korea. Through our various locations, we are able to meet new needs and provide truly multicultural spaces for guests. In 2018, we were ranked No.1 in the hotel and resort category of the National Brand Awards for the second straight year and solidified our position as Korea's top hotel company.

FY17 Sales

KRW **216.4** billion



Walkerhill,  
representative hotel  
industry leader  
creating value



**TOP 10**  
Korea Productivity Center's  
National Customer Satisfaction  
Index (NCSI)  
(as of end of December 2017)

**No. 1**  
National Brand Awards,  
hotel and resort category  
(2nd year running)

A private sanctuary in the woods



DOUGLAS HOUSE

Korea's first airport capsule hotel



From Grand Walkerhill Seoul and Vista Walkerhill Seoul to Douglas House and the new transit hotel/premium lounge/capsule hotel at Incheon International Airport, Walkerhill Hotel & Resort has a varied range of hotels with different concepts that balance each other to create synergy. Walkerhill is Korea's leading hotel company, and its continued efforts to make guests happy, is remarkable progress in the domestic hotel industry.

### Grand Walkerhill Seoul

Situated between the forests of Mt. Acha and the scenic Han River, Grand Walkerhill Seoul is a natural haven in Seoul that offers comfort, rest, banquet services, entertainment, leisure activities, and exceptional services. It is a famous showcase for the natural beauty of Korea's four seasons - cherry blossoms in spring, lush greenery in the summer, fall foliage, and snowscape in the winter. Facilities include an outdoor pool that overlooks the river, a special Camping Zone, exciting Kids Club, and relaxing Book Café. From April to June of 2017, Grand Club by Walkerhill underwent a three-month renovation and now boasts an exclusive 'skyview' lounge as well as premium rooms outfitted for the specific needs of couples, families, and VIP guests. The Club floor has eight types of rooms ranging from deluxe to the presidential suite to offer couples and families a retreat in nature, and domestic and foreign VIP guests a luxurious and restful stay. Our Convention Center has nine banquet halls of various sizes (Grand Hall, Vista Hall, Walkerhill Theater, Cosmos Hall, Calla Room, Art Hall, Pine Room, Oak Room, Ida Room), in addition to which we have special facilities like Aston House. We provide a simultaneous translation system, state-of-the-art video/audio/lighting systems, and experienced service from a professional staff for weddings, international conferences, and other events.

### Vista Walkerhill Seoul

Vista Walkerhill Seoul relaunched in April 2017 with a nature-based motif and a focus on 'Wellness & Technology.' It is the ideal place for customers looking to get away from their busy life in the city or those seeking out a unique cultural experience. Vista Walkerhill Seoul is a lifestyle place where nature, people, and the future coexist. We utilized technology to transform the place under the concept of

sustainable luxury. Our brand name itself includes the idea of "vista" which was inspired by our magnificent views but also signifies a future vision for Walkerhill. Vista Walkerhill Seoul also operates a Wellness Club with Health Connect, the healthcare company formed jointly by Seoul National University Hospital and SK telecom. With diverse facilities and programs that have not been introduced to Korea before, the Wellness Club offers differentiated, sustainable solutions for customers' health.

### Douglas House

In the early days of Walkerhill, Douglas House was the hotel of the period and well known as the work of architect Kim Soo-geun. It was Kim who said "don't fight nature; let it be" and made the building a part of the natural mountainside. Douglas House reopened in April 2018 after a five-month renovation with a new look. Nestled at the foot of Mt. Acha with panoramic views of the Han River, it was carefully designed to deliver comfort and privacy. Made using only nature-friendly materials and colors and minimally decorated with only the bare necessities, Douglas House presents a soothing atmosphere for customers to rest undisturbed in their own private retreat.

### External Businesses

Walkerhill is reaping great success from various other external ventures, including the operation of a capsule hotel, transit hotel, and premium lounge at Incheon International Airport; a restaurant at the BMW Driving Center; and catering services for international events like the 2015 Presidents Cup.



# Rental Appliances (Subsidiaries)



FY17 Sales  
**KRW 547.9 billion**

Technology for a healthier, happier life with SK magic



## SK magic



Cumulative total of rental accounts  
**1.26** million  
(as of end of December 2017)

'Grand Slam' of the world's 4 most prestigious design awards  
**Red Dot, iF, IDEA, Good Design**  
(Japan)

Before joining SK networks in November 2016, SK magic began as a premium kitchen appliances company, introducing the gas oven to the domestic market in 1985. Since then, it has successfully expanded into gas/electric ranges, electric ovens, dishwashers, water and air purifiers, and bidets.

SK magic has over 30 years of experience on which to build its business. With kitchen and home appliances at the center, it is expanding its reach into the growing market for home appliance rentals. It maintains a comfortable lead over the competition in key categories, including tankless water purifiers, gas and electric ranges, electric ovens, microwaves, dishwashers, and further strengthened its profit base in the built-in sector by passing KRW 110 billion in annual orders. In particular, the

innovative tankless water purifier has a no. 1 market share of over 40%. SK magic also introduced a series of three Super Air Purifiers with AI-based self-cleaning systems, the first of their kind in Korea, to stay ahead of the market.

SK magic will accelerate growth by studying customers, developing innovative technology and products, creating excellent designs, and partnering with SK networks and its subsidiaries to introduce products and services that create outstanding customer value and actively plan to enter foreign markets.

## Rentals

In 2015, for the first time in the world, the rental business introduced an innovative water purifier that could purify hot and cold water directly without a tank. Since then, it has led the domestic water purifier market by developing creative new functions like UV sterilization, child-friendly button, stainless steel pipes, and tankless ice-making. The fast growing rental business not only led the transition to tankless water purifiers in the domestic market, it is successfully expanding to products like air purifiers and bidets. In particular it is responding to the rapid growth of the air purifier market with a variety of products with AI and IoT based innovative functions.

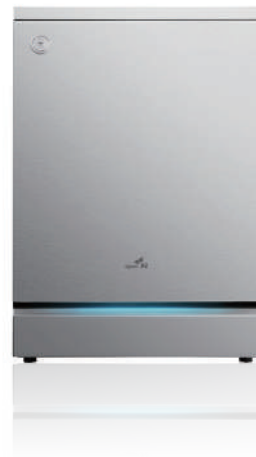
### All-in-One Tankless Ice-Making Water Purifier

- Completely tankless system (hot/cold water, water purification + only tankless ice-making function on the domestic market)
- Stainless steel pipes, first of their kind in Korea
- Smallest ice-making hot/cold water purifier on the domestic market, 25cm width
- UV LED 99.9% sterilization protection system with S-Mark certification (instant sterilization with usage / automatic sterilization of cork 12 times a day / automatic sterilization of ice room 2 times a day)
- Child-friendly button
- IoT self-care function



### Touch On, Power Wash Dishwasher

- 39 water jets for powerful and thorough cleaning
- High heat sterilization and washing at 80°C
- 'Touch On' button to open/close door
- Automatic door opening after completed cycle
- Choice between free standing or built-in installation



### Hybrid Electric Range

- First hybrid electric range to be introduced to domestic market (gas range + highlight / gas range + induction / highlight + induction)
- Works for pots and pans of all materials
- Savings in electricity bills
- Improved cleaning efficiency



### All-in-One Tankless Water Purifier

- Completely tankless system (hot/cold water, water purification)
- Stainless steel pipes, first of their kind in Korea
- Smallest hot/cold water purifier on the domestic market, 17cm width
- UV LED 99.9% sterilization protection system with S-Mark certification (instant sterilization with usage / automatic sterilization of cork 12 times a day)
- Child-friendly button
- IoT self-care function



## Home Appliances

SK magic's brand power in the home appliance sector continues to hold strong as the 2017 Korea Brand Power Index (K-BPI) ranked the company no. 1 in dishwashers for the fifteenth consecutive year and multi-ovens for the tenth consecutive year. SK magic continues to maintain the largest market share in key categories, including gas and electric ranges, electric ovens, microwaves, and dishwashers. Meanwhile, Super Cook Gas Range with IoT functions, Hybrid Electric Range which combines induction and highlight methods, and other innovative products have helped SK magic lead the kitchen and home appliances market.



### Smart Motion AI Air Purifier

- 6 smart sensors to detect source of dust
- Autorotation toward source of dust and focused suction
- Multi-discharge of purified air in all directions
- 3-level pop up based on air quality (fully focused care function)
- Super surround system (interlocked operation of two or more SK magic air purifiers)
- AI based self-cleaning system (automatic turn-on to maintain optimal air quality)



### IoT Super Cook Gas Range

- First gas range with IoT function in Korea
- Turn-off function on smartphones, child lock, timer (automatic extinguisher) setting
- Titanium coating on stovetop for superior durability and cleaning efficiency
- Automatic temperature control function for better taste and safety

### 2017 Awards and Certifications

Title	Product	Notes	Conferring Organization
Red Dot Design Award 2017	Super Ice (SIM900)	Award	Red Dot GmbH & Co. KG
	Super Air Purifier Mini (ACLV09,V12)		
	Super L Air Purifier (VCLV15)		
	Super Water Purifier Mini (WPU2200C)		
IDEA design award 2017	Super L-I-H Purifiers (VCLV15-1632)	Award	Industrial Designers Society of America
	Super Air Purifier Mini (ACLV09,V12)		
	Waterfall Water Dispenser (WPD9900)		
IF design award 2017	Waterfall Water Dispenser (WPD9900)	Award	IF International Forum Design GmbH (Germany)
Good Design Award (Japan)	Super Water Purifier Mini (WPU2200C)	Award	Japan Institute of Design Promotion
	Super L Air Purifier (VCLV15)		
Korean Good Design Awards	Super H Air Purifier (VCLV32)	Main Award: KIDP President's Award (HFE Design Award) / Gold Award	Korea Institute of Design Promotion (KIDP)
	Super L Air Purifier (VCLV15)	Award	
	Super Water Purifier Mini (WPU2200C)	Award	
PIN UP Design Award	Super Water Purifier Mini (WPU2200C)	Main Award: BEST OF BEST	Korea Association of Industrial Designers
	Super H Air Purifier (VCLV32)		
	Super L-I Air Purifier (VCLV15)	Main Award: PIN UP 100	
	Super Ice (SIM900)		
	Ice & Water Purifier Large (WPU400C+SIM015)		
	Water Purifier Large (WPU500F/CS20F)	Award	
	Premium Cook Top (GRABC30A,GRABC30AA,GRABC301D)		
IoT Electric Range (ERAH310E)			
CO2 Measured Label	Super I Air Purifier (ACLV16)	First in the world to be certified in air purifier category	Carbon Trust (UK) / Korea Productivity Center
Korea Brand Power Index	Magic Dishwasher	No. 1, 15 years running	Korea Management Association
	Magic Stead Oven	No. 1, 10 years running	
Korea Standard - Wellbeing Consumer Index (KW-WCI)	Magic Steam Oven	10 time winner	Korean Standards Association Consulting
2017 INNO STAR certification	Super S Water Purifier	Water purifier category winner, 2 years running	Korean Management Registrar
2017 Green Star Certification	IoT Super Cook Gas Range	Gas range category, 6 years running	
	Super I Air Purifier (ACLV16)	Air purifier category, 2 years running	
	Climm Dishwasher	First to be certified in the dishwasher category	
	UV Sterilization Bidet (BID-S22,23)		
	Super S Water Purifier		
2017 Korean Society of Consumer Studies Consumer Award	SK magic brand		Korean Society of Consumer Studies
2017 Best Brand of the Chosen by Consumers	Super S Edition (WPU-A400CSW)	Water purifier category, 2 years running	Jooang ilbo
	Super I Air Purifier (ACLV16)	Healthcare category, 2 years running	
HSPM Certification	Water Purifier	Hazardous substance process management system	Korean Foundation for Quality (KFQ)
CCM Certification	All products	Consumer centered management	Fair Trade Commission
ISO9001 Certification	GRA, GOR, WPU, EON, BID, ACL, DWA	Quality management system	Korean Standards Association
ISO14001 Certification	GRA, GOR, WPU, EON, BID, ACL, DWA	Quality management system	(KSA)

## SK networks service

SK networks service was established in 2007 to improve the quality of customer care and services for SK Group's information and communication technology (ICT) businesses. The infrastructure division operates and maintains SK telecom and SK broadband's networks, and it is also reaching out to financial companies, large corporations and others in the B2B market. The IT solutions division, the distributor of ICT equipment, has recently been strengthening its profitability through sales of hardware combined with solutions. The service division carries out after-sales services for SK telecom's mobile devices. SK networks service is seeking to move beyond its existing scope of service jobs and establish itself in the ICT sector as a technical service platform operator that can innovate customer value. To that end, it will strengthen its technical capabilities to expand the solution division and improve products in addition to growing beyond its role as a simple hardware distributor to improve products and services in the ICT distribution sector.



## SK rent-a-car service

The company was launched in March 2016 as Car-Life Service Ltd. to provide professional support for short-term rentals, accident repairs and regular maintenance, courtesy car services, customer centers, and numerous other operations. In March 2018, it changed its name to SK rent-a-car Service Ltd. and is making every effort to support SK's rental car business through continued endeavors and innovation.



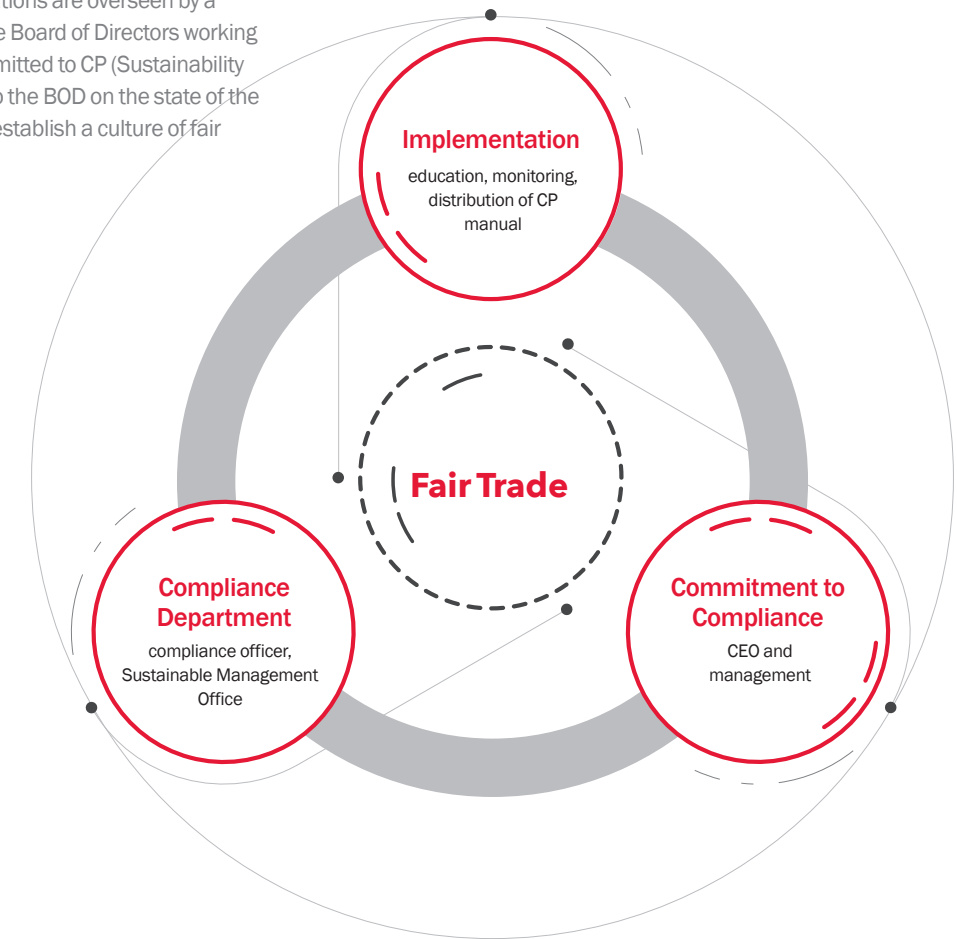
## SK pinx

SK pinx's holdings include Korea's first golf course to rank among the world's top 100 as well as premium resort facilities like Podo Hotel and Biotopia. SK pinx offers customers a chance to enjoy sports, commune with nature, and immerse themselves in arts and culture through next-level service. Going forward, it will solidify its position as a world-class resort and strive to create a 'new prestige living culture.'



## Fair Trade

SK networks has introduced and operated a compliance program (CP) since 2002. CP operations are overseen by a compliance officer appointed by the Board of Directors working with a department exclusively committed to CP (Sustainability Management Office). They report to the BOD on the state of the program, and strive to spread and establish a culture of fair trade and compliance.



### 01. Fair Trade Education Programs

We seek to raise employees' awareness of fair trade and strengthen each division's voluntary compliance through education programs focused on the latest revisions and enactment of fair trade laws so that we may prevent violations of fair trade laws. In 2017, we carried out a training course for all company employees that focused on the importance of fair trade compliance. We also revised and distributed our CP manual with guidelines for compliance to minimize the risk of violating any laws from the ground up.

### 02. Compliance Program Activities

The compliance officer and department in charge of CP (Sustainability Management Office) provide the foundation for voluntary compliance by reviewing each business division's practice of fair trade, preventing factors with potential to restrict fair trade, and communicating crucial policies related to fair trade compliance with relevant departments.

### 03. Internal Trade Committee

In order to improve transparency in large-scale internal trades, the Audit Committee has taken on the role of the Internal Trade Committee since 2012. Thus far, the committee has deliberated and reported on 19 cases.

# Sustainability Management

Creating a 'shared world' of happiness in harmony and balance

## SKMS and Pursuit of 'Stakeholder Happiness'

According to SK Group's management philosophy, SKMS (SK Management System), the concept of stakeholder happiness means "A corporation must consistently achieve stability and growth to persevere and advance. In doing so, a corporation must also create greater happiness for customers, employees, shareholders, and society." We are actively engaged in sustainable management rooted in this concept. SK Group also designated 2018 as 'Year One for a New SK' and is pursuing enhanced social value (SV) as a vital corporate strategy for survival. Ultimately, we seek to realize sustainable growth together with society.

## SK networks' Pursuit of Social Value

SK networks recognizes the pursuit of social value is indispensable to the sustainable growth of the company and its employees. In 2018, it selected the pursuit of social value as one of the management policies supporting the beginning of DBL (Double Bottom Line). Furthermore, it sought to identify the social issues associated with each business division and made a quantitative measure of the fundamental impact of all SK networks-led business activities from the environmental, social, and governance aspects. Going forward, we will continue research and monitoring to expand the range of indicators for measuring social value and develop a more sophisticated methodology. We will also uncover ways to create social value and cultivate business models based on the measure of social value.

## SK DBL(Double Bottom Line)

DBL is SK's management principle which states all SK business activities should create economic value and increase social value so that society can share in the company's growth.

### SK DBL Key Strategies

**All business activities**

Expand the scope of SV creation beyond CSR to overall concept of Biz Value Chain

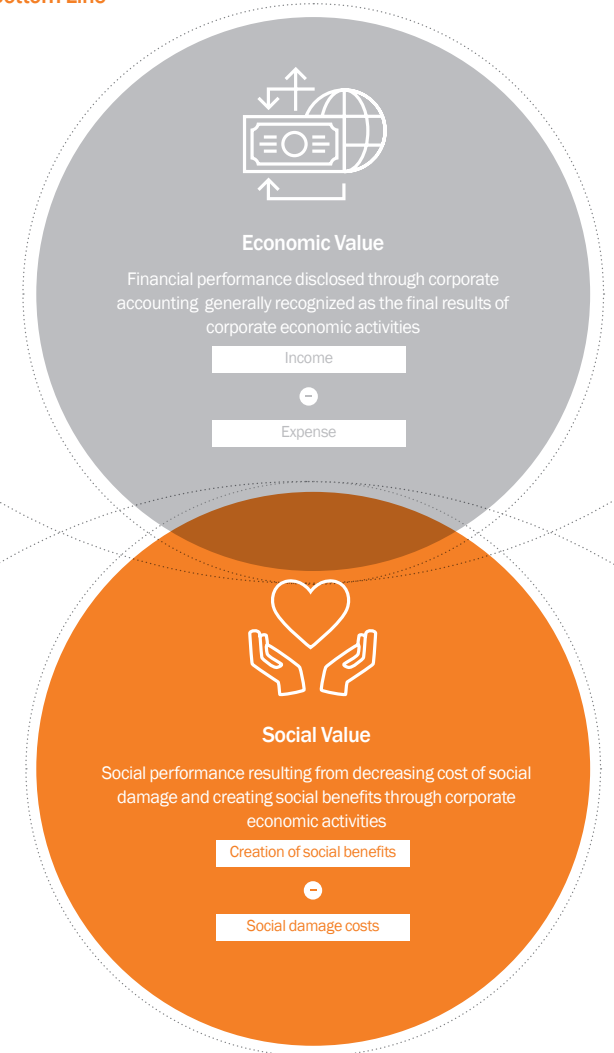
**Create economic value and increase social value**

Actively review ways to grow SV during decision-making process (Decreasing (-)SV, generating (+)SV)

**SK management principle of growing with society**

Increase economic value (within SK) and social value (outside of SK) to pursue happiness in harmony and balance for all stakeholders

### SK Double Bottom Line



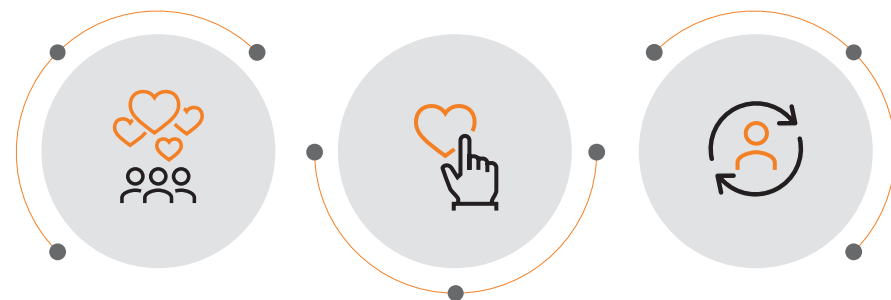
# Social Responsibilities

Creating a better world with 'Happiness Management' that puts people first

## CSR Implementation System

SK networks carries out a variety of activities to bring positive changes to society. In addition to activities led by specialized groups from different business divisions, we enable individuals to volunteer freely. We are expanding the scope of our activities through partnerships with NPOs, schools, social enterprises, and civic volunteer groups. We pledge to continue our efforts to create greater social value and help communities grow through consistent and sincere CSR activities.

### Happy Participation, Happy Coexistence, Happy Change



#### Happy Participation Participation

All SK networks employees are enthusiastic and motivated volunteers who believe in SK Group's CSR philosophy.

#### Happy Coexistence Together

SK networks shares capabilities and knowhow by maintaining a close partnership with local communities, NGOs, and the government so it can maximize the impact of CSR activities.

#### Happy Change Change

We seek fundamental social change by helping people in need become self-reliant rather than offering temporary charity.

## Disabled People / Children

### Support for the blind and visually impaired

'Happy Outings' is a program for children who lack access to outdoor activities because of their disabilities. Every spring and fall, volunteers are paired 1:1 with the children from Seoul National School for the Blind and Hanbit School for the Blind to enjoy outdoor recreation. We also sponsor the production of alternative materials (CDs, Braille and audio books, etc.) based on professional recommendations as a way of promoting equal access of information for the visually impaired. We work with the Korea Blind Union to donate the materials we produce to schools for the blind, Braille libraries, and a smartphone service for the blind called 'Listening Library for Happiness' so that more visually impaired people can have access to quality information.



## Local Community / Environment

### Local Community

As part of our effort to create a beautiful landscape for local communities, we lead a project that transforms boring and lifeless walls near schools into vibrant scenes full of hopes and dreams. As works of public art, the walls brighten up the neighborhood and convey a sense of stability and happiness. We will continue to work with the public arts social enterprise Wallmade to enhance our communities.

Additionally, SK networks' nationwide regional offices support their local welfare organizations in a variety of ways. In Seoul, employees deliver winter necessities to impoverished inner city neighborhoods. In the Seoul and Gyeonggi area, we also provide kimchi and coal briquettes to low income families.

In 2017, some 50 volunteers from SK networks, Suwon Chamber of Commerce and Industry, and the Community Chest of Gyeonggi visited a neighborhood in the city of Yeosu in Gyeonggi province to deliver 15,000 coal briquettes to 55 households and rice to 400 families. The 2017 winter kimchi event drew the participation of 190 employees. We made and delivered kimchi out of some 8,000 heads of cabbage under the direction of Chef Lee Seon-hee of Supex Kimchi Research Institute.

### Environment

We are leading an upcycling initiative that uses waste materials to create new value while simultaneously protecting the environment. Working with social enterprises and colleges, we operate the '1004 Doll Making,' a campaign to make dolls out of clothing and textile waste and deliver them to underprivileged children. Other activities include the conservation of Mt. Acha near Walkerhill, planting 'SK Happy Forest' within Noeul Park in Seoul, and cleaning up areas around SK distribution centers across the country.



## Pro Bono Work / Talent Donation

The SK Group has varied pro bono programs that utilize its pool of professionals, including projects by Walkerhill's top chefs and team to share their expertise with social enterprises in the restaurant industry. Through sauce development projects for social enterprises, dinner shows for Jeju Peace Village, and more, the chefs go beyond their culinary specialties in Korea, Chinese, Japanese, and Western cuisines to support a greater cause. Walkerhill also offers student-oriented programs and lectures, such as 'A Day with a Hotelier' which gives participants a chance to tour a hotel and

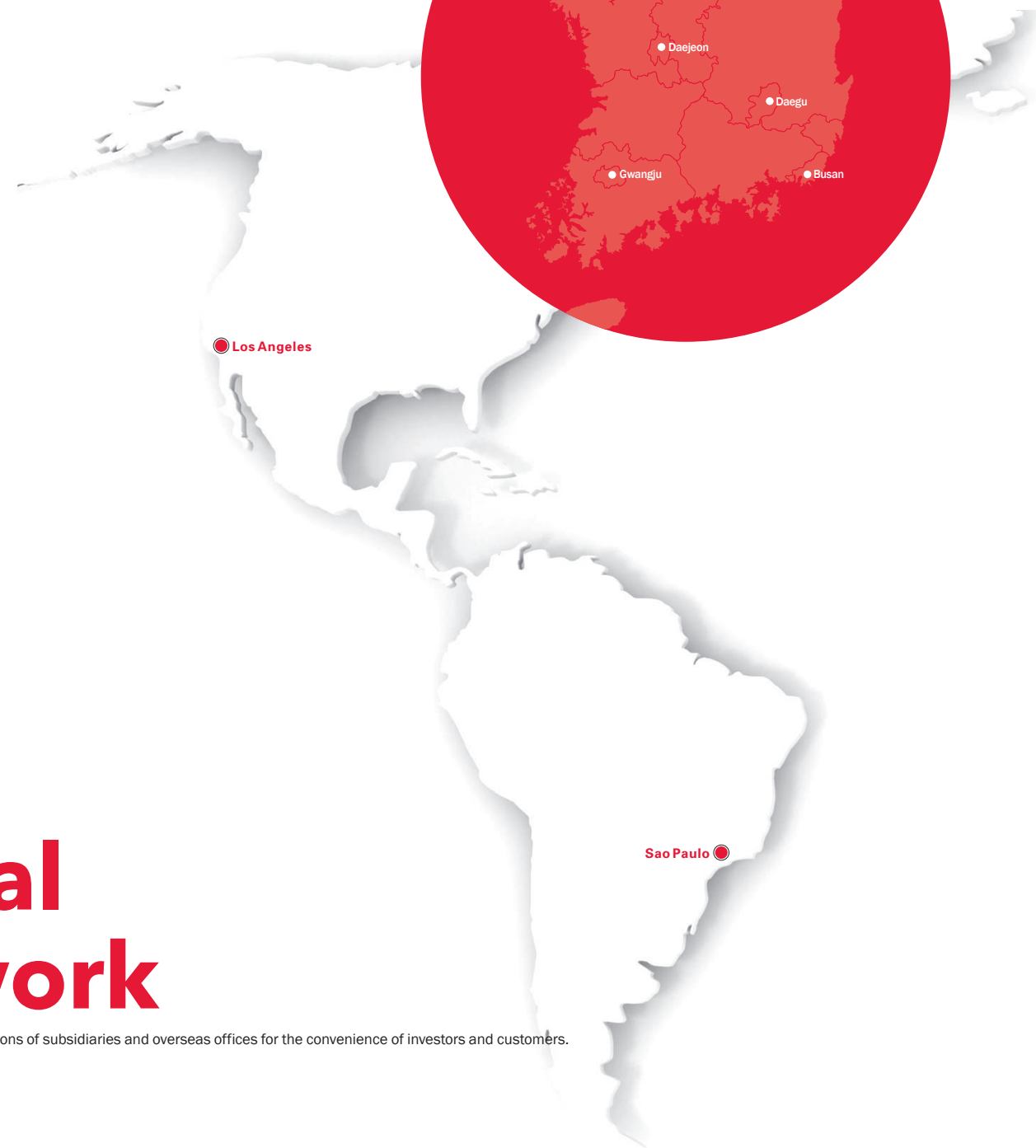
experience jobs done by concierges, room attendants, and restaurant staff. The program teaches students the kind of attitude required of a hotelier and helps them make informed career decisions.



## Global CSR Activities

The Dream Package Project is a global effort that delivers school supplies to children in need, including those without access to education. Employees of SK networks and SK affiliates, civilian volunteers, and social enterprises come together to give children around the world a better future. The project has helped approximately 5,000 children in eight countries so far. We are also actively carrying out CSR activities in regions where SK networks has overseas subsidiaries and branches. This includes supporting nursing homes, special needs schools, and 'study room' centers for children with regular volunteer work and donations. Our global outposts also enable us to support recovery efforts in areas devastated by natural disasters.

### Domestic Network



# Global Network

\* The above map displays the locations of subsidiaries and overseas offices for the convenience of investors and customers.

### China Network



# 27 Locations in 17 Countries

# Consolidated Financial Statement

The 65th Period (Current): As of December 31, 2017  
The 64th Period (Previous) : As of December 31, 2016

## Financial Review

SK networks and subsidiaries

Unit: KRW 1 million

Description	End of 65th period (current)	End of 64th period (previous)
<b>Assets</b>		
<b>I. Current Assets</b>	2,609,399	3,418,741
1. Cash and cash equivalents	263,364	696,360
2. Short-term financial instruments	7,448	10,326
3. Held-to-maturity investments	45	67
4. Trade and other receivables	1,145,129	1,435,769
5. Financial derivatives	1,060	35,059
6. Other financial assets	101,948	136,457
7. Other current assets	193,134	124,695
8. Inventory	635,348	550,071
9. Non-current assets as held for sale	261,923	429,937
<b>II. Non-current assets</b>	4,617,973	5,201,576
1. Long-term financial instruments	50	56
2. Available-for-sale financial assets	50,232	40,772
3. Held-to-maturity financial assets	825	870
4. Investments in associates and fellow subsidiary	18,670	127,960
5. Derivative financial assets	-	565
6. Other non-current financial assets	112,458	167,357
7. Tangible assets	3,540,077	3,985,113
8. Goodwill & Intangible assets	555,098	559,720
9. Investments in real estate	98,611	105,144
10. Deferred income tax assets	117,677	62,120
11. Other non-current assets	124,275	151,899
<b>Total assets</b>	7,227,372	8,620,317
<b>Liabilities</b>		
<b>I. Current liabilities</b>	3,207,069	4,357,755
1. Trade and other payables	1,988,494	2,600,460
2. Short-term borrowings	417,019	1,014,531
3. Current portion of long-term debts	332,628	167,808
4. Derivative financial liabilities	14,604	14,811
5. Other financial liabilities	234,322	256,554
6. Current income tax liabilities	10,877	3,407
7. Current provisions for liabilities and charges	9,129	69,328
8. Other current liabilities	86,141	167,840
9. Liabilities classified as held for sale Non-current liabilities	113,855	63,016
<b>II. Non-current liabilities</b>	1,671,802	1,857,025
1. Borrowings and Debentures	1,363,255	1,562,498
2. Derivative financial liabilities	1,107	-
3. Other financial liabilities	156,872	157,676
4. Deferred income tax liabilities	87,822	86,362
5. Net Defined benefit obligations	36,572	29,721
6. Provisions	10,647	8,395
7. Other non-current liabilities	15,527	12,373
<b>Total liabilities</b>	4,878,871	6,214,780
<b>Shareholders' equity</b>		
<b>I. Equity attributable to owners</b>	2,370,219	2,428,001
1. Capital stock	648,654	648,654
2. Consolidated capital surplus	814,476	814,503
3. Consolidated retained earnings	1,012,341	1,005,009
4. Consolidated other reserves	(105,252)	(40,165)
<b>II. Attributable to; non-controlling interest</b>	(21,718)	(22,464)
<b>Total shareholders' equity</b>	2,348,501	2,405,537
<b>Total liabilities and shareholders' equity</b>	7,227,372	8,620,317

# Consolidated Statements of Comprehensive Income

The 65th Period (Current): As of December 31, 2017  
The 64th Period (Previous): As of December 31, 2016

SK networks and subsidiaries		(Unit: KRW 1 million)	
Description	End of 65th period (current)	End of 64th period (previous)	
I. Sales	15,202,346	12,904,674	
II. Cost of goods sold	14,103,978	11,972,459	
III. Gross Profit	1,098,368	932,215	
IV. Selling and administrative expenses	955,572	776,767	
V. Operating income	142,796	155,448	
Finance income	275,673	293,323	
Finance costs	328,167	350,061	
Other non-operating revenue	32,449	27,594	
Other non-operating expenses	60,054	55,472	
Gain (Loss) on valuation using the equity method of accounting	149	(145)	
VI. Net income before income tax expense	62,846	70,687	
VII. Continuing operations income tax expense	16,404	26,385	
VIII. Consolidated net income from continuing operations	46,442	44,302	
IX. Loss from discontinued operations	(11,832)	(125,873)	
X. Consolidated current period net profit (loss)	34,610	(81,571)	
Equity attributable to owners of the Company	33,412	(81,685)	
Non-controlling interests	1,198	114	
XI. Consolidated other comprehensive income	(12,274)	6,366	
1. Items that will not be reclassified to profit or loss	(1,290)	3,550	
Remeasurement of the net defined benefit liability	(1,290)	3,550	
2. Items that will be reclassified to profit or loss	(10,984)	2,816	
Profit (Loss) on valuation of AFS financial assets	1,094	(788)	
Capital change using equity method	(917)	1,001	
Negative capital variation of equity method	5,562	1,236	
Gain (Loss) on valuation of derivative	(9,313)	4,711	
Losses on overseas operations translation	(7,410)	(3,344)	
XII. Consolidated total comprehensive profit (loss)	22,336	(75,205)	
Equity attributable to owners of the Company	21,590	(74,736)	
Non-controlling interests	746	(469)	
XIII. Net income per share (Unit: KRW)			
Basic earnings (loss) per common share attributable to owners	136	(329)	
Basic earnings (loss) per preferred share attributable to owners	142	(304)	
Basic earnings per common share from continuing operations attributable to owners	182	175	
Basic earnings per preferred share from continuing operations attributable to owners	188	200	

# Consolidated Statements of Changes in Equity

The 65th Period (Current): As of December 31, 2017  
The 64th Period (Previous): As of December 31, 2016

SK networks and subsidiaries		(Unit: KRW 1 million)					
Description	Capital stock	Consolidated capital surplus	Consolidated retained earnings	Other consolidated equity item	Equity attributable to owners of the Company	Non-controlling interests	Total
2016.01.01 ( Beginning of previous period)	648,654	814,735	1,108,153	(43,740)	2,527,802	(8,416)	2,519,386
Total comprehensive income:							
Consolidated net income (loss)	-	-	(81,685)	-	(81,685)	114	(81,571)
Remeasurements of net defined benefit liabilities	-	-	3,374	-	3,374	176	3,550
Loss on valuation of available-for-sale financial assets	-	-	-	(788)	(788)	-	(788)
Capital change using equity method	-	-	-	1,001	1,001	-	1,001
Negative capital variation of equity method	-	-	-	1,236	1,236	-	1,236
Gains on valuation of derivatives	-	-	-	4,711	4,711	-	4,711
Gain (loss) on foreign currency translation of foreign operations	-	-	-	(2,585)	(2,585)	(759)	(3,344)
Subtotal	-	-	(78,311)	3,575	(74,736)	(469)	(75,205)
Transaction with shareholders, etc.:							
Dividends	-	-	(24,833)	-	(24,833)	-	(24,833)
Change of consolidated scope	-	(218)	-	-	(218)	(13,579)	(13,797)
Other	-	(14)	-	-	(14)	-	(14)
Subtotal	-	(232)	(24,833)	-	(25,065)	(13,579)	(38,644)
2016.12.31 (End of previous period)	648,654	814,503	1,005,009	(40,165)	2,428,001	(22,464)	2,405,537
2017.01.01 (Beginning of current period)	648,654	814,503	1,005,009	(40,165)	2,428,001	(22,464)	2,405,537
Total comprehensive income for the year:							
Consolidated net income (loss)	-	-	33,412	-	33,412	1,198	34,610
Remeasurements of net defined benefit liabilities	-	-	(1,247)	-	(1,247)	(43)	(1,290)
Loss on valuation of available-for-sale financial assets	-	-	-	1,094	1,094	-	1,094
Capital change using equity method	-	-	-	(917)	(917)	-	(917)
Negative capital variation of equity method	-	-	-	5,562	5,562	-	5,562
Gains on valuation of derivatives	-	-	-	(9,313)	(9,313)	-	(9,313)
Gain (loss) on foreign currency translation of foreign operations	-	-	-	(7,001)	(7,001)	(409)	(7,410)
Subtotal	-	-	32,165	(10,575)	21,590	746	22,336
Transaction with shareholders, etc.:							
Dividends	-	-	(24,833)	-	(24,833)	-	(24,833)
Acquisition of own stocks	-	-	-	(54,512)	(54,512)	-	(54,512)
Other	-	(27)	-	-	(27)	-	(27)
Subtotal	-	(27)	(24,833)	(54,512)	(79,372)	-	(79,372)
2017.12.31 (End of current period)	648,654	814,476	1,012,341	(105,252)	2,370,219	(21,718)	2,348,501



# Consolidated Statements of Cash Flow

The 65th Period (Current): As of December 31, 2017  
The 64th Period (Previous) : As of December 31, 2016

SK networks and subsidiaries		(Unit: KRW 1 million)	
Description	End of 65th period (current)	End of 64th period (previous)	
I. Cash flows from operating activities	(634,642)	14,579	
1. Consolidated net income(loss)	34,610	(81,572)	
2. Adjustments for non-cash items	354,200	413,872	
3. Adjustments for working capital	(953,240)	(225,933)	
4. Interest received	10,122	11,192	
5. Interest paid	(80,849)	(86,821)	
6. Dividends received	475	1,545	
7. Corporate taxes paid	40	(17,704)	
II. Cash outflow from investment activities	878,023	(563,338)	
1. Net increase (decrease) in short-term financial instruments	10,000	(2,221)	
2. Net increase (decrease) in long-term financial instruments	7	200	
3. Net increase (decrease) in financial derivatives	16,802	25,437	
4. Net increase (decrease) in short-term loans	(10,494)	(3,227)	
5. Net increase (decrease) in long-term loans	(1,576)	4,909	
6. Disposal of Held-to-maturity investments	67	22	
7. Proceeds from disposal of available-for-sale financial assets	193	1,219	
8. Purchase of available-for-sale financial assets	(19,701)	(1,179)	
9. Disposal of associates, subsidiaries & joint venture	-	3,785	
10. Disposal of property, plant and equipment	117,068	19,789	
11. Purchase of property, plant and equipment	(156,741)	(104,209)	
12. Disposal of intangible assets	1,613	4,093	
13. Purchase of intangible assets	(4,696)	(6,933)	
14. Disposal of investment property	-	294	
15. Purchase of investment property	(122)	-	
16. Net increase (decrease) in deposits paid	(6,428)	(3,528)	
17. Disposal of non-current assets as held for sale	345,794	77,696	
18. Transfer of business	585,168	-	
19. Net cash inflow due to loss of control	-	19,003	
20. Net cash outflow due to business combinations	-	(598,488)	
21. Decrease in other investment assets	1,069	-	
III. Cash flow from financing activities	(676,146)	117,670	
1. Net increase (decrease) in short-term borrowings	(584,299)	140,292	
2. Repayment of current portion of long-term borrowings	(62,872)	(413,725)	
3. Repayment of current portion of long-term bonds	(130,000)	(200,000)	
4. Proceeds from issuance of non-current borrowings	136,982	318,895	
5. Proceeds from issuance of debentures	39,815	298,762	
6. Dividends paid	(24,833)	(24,833)	
7. Acquisition of own stocks	(54,512)	-	
8. Net cash outflows from consolidated capital transactions	3,573	(1,721)	
IV. Decrease in cash and cash equivalents(I+II+III)	(432,765)	(431,089)	
V. Cash and cash equivalents at the beginning of the period	696,360	1,128,967	
VI. Difference in cash and cash equivalents by changes in foreign exchange rates	(231)	576	
VII. Cash and cash equivalents included in non-current assets held for sale	-	(2,094)	
VIII. Cash and cash equivalents on the consolidated statement of financial position at the end of the period	263,364	696,360	

# Subsidiaries & Affiliates

## Subsidiaries

### SK magic

Rental and appliances business  
Yonsei Severance Foundation Building 14th FL,  
10 Tongil-ro Jung-gu, Seoul, Korea  
1600-1661

### SK networks service

Mobile phone A/S and network maintenance  
Pacific Tower 14th Fl, 41 Sejong-daero 9-gil  
Jung-gu, Seoul, Korea  
1600-0466

### SK rent-a-car service

Support for short-term car rentals  
503 Bongeunsa-ro  
Gangnam-gu, Seoul, Korea  
02-6495-6141

### SK pinx

Integrated real estate services  
863 Sallongnam-ro, Andeok-myeon  
Seogwipo, Jeju-do, Korea  
064-792-5200

## Affiliates

**SK holdings** www.sk.co.kr

**SK innovation** www.skinnovation.com

**SK telecom** www.sktelecom.com

**SK hynix** www.skhynix.com

**SK E&C** www.skec.co.kr

**SK E&S** www.skens.com

**SK chemicals** www.skchemicals.com

**SK networks** www.sknetworks.co.kr

**SKC** www.skco.kr

**SK energy** www.skenergy.com

**SK global chemical** www.skglobalchemical.com

**SK gas** www.skgas.co.kr

**SK lubricants** www.sklicubricants.com

**SK planet** www.skplanet.co.kr

**SK broadband** www.skbroadband.com

**SK materials** www.sk-materials.com

