

SK TELECOM CO LTD
Form 6-K
April 20, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF APRIL 2015
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-

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ANNUAL BUSINESS REPORT

(From January 1, 2014 to December 31, 2014)

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

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

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

Starting in the first quarter of 2011, the Company prepares and reports its financial statements under K-IFRS. The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's annual business report for the year ended December 31, 2014 includes the following consolidated subsidiaries:

| Name | Date of Establishment | Principal Business | Total Assets as of Dec. 31, 2014 (millions of Won) | Material Subsidiary* |
|---|------------------------------|---|---|-----------------------------|
| SK Telink Co., Ltd. | Apr. 9, 1998 | Telecommunication services and satellite broadcasting services | 324,270 | Material |
| M&Service Co., Ltd. | Feb. 10, 2000 | Online information services | 79,476 | Material |
| SK Communications Co., Ltd. | Sep. 19, 1996 | Internet portal and other Internet information services | 176,168 | Material |
| Stonebridge Cinema Fund | Sep. 30, 2005 | Investment partnership | 11,137 | |
| Commerce Planet Co., Ltd. | Jul. 1, 1997 | Online shopping mall operation services | 26,078 | |
| SK Broadband Co., Ltd. | Sep. 26, 1997 | Fixed-line telecommunication services, multimedia and IPTV services | 3,180,461 | Material |
| K-net Culture and Contents Venture Fund | Nov. 24, 2008 | Investment partnership | 21,094 | |
| Hwaitec Focus Investment Partnership 2 | Dec. 12, 2008 | Investment partnership | 19,301 | |
| Open Innovation Fund | Dec. 22, 2008 | Investment partnership | 21,765 | |
| PS&Marketing Co., Ltd. | Apr. 3, 2009 | Sale of telecommunication devices | 544,292 | |
| Service Ace Co., Ltd. | Jul. 1, 2010 | Customer center management services | 66,336 | |
| Service Top Co., Ltd. | Jul. 1, 2010 | Customer center management services | 57,032 | |
| Network O&S Co., Ltd. | Jul. 1, 2010 | Network maintenance services | 71,348 | |
| BNCP Co., Ltd. | Dec. 7, 2009 | Internet services | 6,785 | |
| Iconcube, Inc. | Sep. 14, 2011 | Online information services | 1,382 | |
| Iconcube Holdings, Inc. | Sep. 5, 2014 | Consulting services | 1,934 | |
| Irriver Ltd. | Jul. 12, 2000 | Audio device manufacturing | 61,945 | |
| Irriver CS Co., Ltd. | May 1, 2010 | Wholesale and retail | 2,632 | |
| SK Planet Co., Ltd. | Oct. 1, 2011 | Telecommunication and platform services | 2,552,850 | Material |
| SK Planet Japan, K.K. | Mar. 14, 2012 | | 5,222 | |

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| | | | |
|---|---------------|---------------------------------------|---------|
| | | Digital contents sourcing services | |
| SK Planet Global PTE, LTD. | Aug. 4, 2012 | Digital contents sourcing services | 4,215 |
| SK Planet America LLC | Jan. 27, 2012 | Digital contents sourcing services | 297,981 |
| SKP Global Holdings PTE, LTD. | Aug. 10, 2012 | Holding company for overseas commerce | 29,529 |
| SK Global Healthcare Business Group, Ltd. | Sep. 14, 2012 | Investment | 25,784 |
| Technology Innovation Partners, L.P. | Jun. 24, 2011 | Investment | 33,194 |

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| Name | Date of Establishment | Principal Business | Total Assets as of Dec. 31, 2014 (millions of Won) | Material Subsidiary* |
|---------------------------------------|------------------------------|---|---|-----------------------------|
| SK Telecom China Fund I L.P. | Sep. 14, 2011 | Investment | 14,290 | |
| SK Telecom China Holdings Co., Ltd. | Jul. 12, 2007 | Investment | 38,020 | |
| Shenzhen E-eye High Tech Co., Ltd. | Apr. 1, 2000 | Telematics manufacturing | 15,566 | |
| Iriver China Co., Ltd. | Jun 24, 2004 | Electronic device manufacturing | 4,519 | |
| DongGuan Iriver Electronics Co., Ltd. | Jul. 6, 2006 | Electronic device manufacturing | 394 | |
| Iriver Enterprise Ltd. | Jul. 29, 2013 | Wholesale and retail | 4,931 | |
| Iriver Inc. | Feb. 15, 2007 | Wholesale and retail | 3,008 | |
| Iriver America Inc.** | May 1, 2005 | Wholesale and retail | | |
| SKT Vietnam PTE., Ltd. | Apr. 5, 2000 | Telecommunication services | 4,242 | |
| SKT Americas, Inc. | Dec. 29, 1995 | Information collection and management consulting services | 42,159 | |
| YTK Investment Ltd. | Jul. 1, 2010 | Investment | 27,944 | |
| Atlas Investment | Jun. 24, 2011 | Investment | 66,825 | |
| Neos Networks Co., Ltd. | Jun. 12, 2008 | Security system services | 31,729 | |
| Shopkick Management Company, Inc. | Oct. 9, 2014 | Investment | 230,925 | Material |
| Shopkick, Inc. | Jun.1, 2009 | Mileage based e-commerce application development | 28,216 | |

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

** Iriver America Inc. is currently in liquidation proceedings.

Changes in subsidiaries are set forth below.

| Change | Name | Remarks |
|---------------|---|---|
| | Iconcube Holdings, Inc. Iconcube, Inc. | Spun off from BNCP Co., Ltd. in 2014 |
| | Neos Networks Co., Ltd. Iriver Ltd. Iriver CS Co., Ltd. Iriver Enterprise Ltd. | |
| Additions | Iriver America Inc. Iriver Inc. Iriver China Co., Ltd. DongGuan Iriver Electronics Co., Ltd. | SK Telecom acquired shares of these subsidiaries in 2014. |
| | | Established by SK Planet America LLC in 2014 |

Shopkick Management Company,
Inc.

Shopkick, Inc.

Shopkick Management Company, Inc. acquired shares of this
subsidiary in 2014

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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. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services has increased. Having reached one million subscribers by January 2012 and over 10 million subscribers by April 2013, the Company has solidified its leadership position in LTE services as it has done with its 3G services. In June 2013, the Company became the first telecommunications service provider in the world to provide commercial LTE-Advanced (LTE-A) services using carrier aggregation technology, and in June 2014, the Company reaffirmed the Company's technological leadership by becoming the first to provide commercial 225 Mbps wideband LTE-A services, which is three times faster than LTE. In December 2014, the Company launched tri-band LTE-A, which is four times faster than LTE. The Company also launched unlimited LTE data plans and other innovative data plans such as Rush hour / Subway Free plans that are unlimited data plans based on time, place and occasion (or, TPO), reflecting the data pattern usage of customers and their lifestyles. The Company also launched new customer-focused products in 2014 such as the T-Phone, T-outdoor and T Kids Phone - Joon. The Company plans to increase its profitability by strengthening its retention strategy in the era of data-intensive services by leveraging its competitive advantages.

In the business-to-business (B2B) area, the Company is strengthening its solutions business through the implementation of five main solution products: Smart Store, Smart Work, Smart Cloud, Green & Safety and M Ad & Payment. Since the commercial launch of its mobile IPTV services, B tv Mobile, in October 2012, the Company has gained over one million paying subscribers as of March 2014. The Company is the first telecommunications services provider in the world to provide full high definition streaming services using its LTE-A network. In 2014, the number of its mobile IPTV service subscribers increased by 1.56 million to reach 2.37 million subscribers by the end of the year. In the area of healthcare, the Company achieved the following milestones during 2014: point-of-care diagnostic devices manufactured by a company of which the Company is the largest shareholder received approval from the U.S. Food and Drug Administration, the Company entered the Chinese healthcare market and the Company was the first Korean company to export medical information systems. As with the healthcare business, the Company plans to

continue to find and develop new growth engines in the mid- to long-term. The Company also plans to seek out new growth engines in existing businesses, including the intelligence business, by utilizing its technologies relating to big data.

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

Table of Contents**(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 service 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

With respect to the Company's e-commerce business, 11th Street, a platform service that connects various sellers and purchasers online, continues to gain market share. In the commerce platform business area, the Company, utilizing the existing network of partner businesses of OK Cashbag, Korea's largest loyalty mileage program with 38 million members, consumer information from big data, information technology, and other sources of competitive edges that can lead the industry, launched Syrup to provide smart shopping services to consumers and Syrup Store to provide integrated marketing solutions to partner businesses in June 2014. Syrup, a mobile wallet service upgraded and rebranded from its predecessor service, Smart Wallet, reached 13.3 million users as of December 31, 2014 and leads the online-to-offline commerce. In the location-based services business area, users of the Company's T-Map Navigation service reached 19.5 million as of December 31, 2014. T-Map Navigation provides real time traffic information and various local information. Utilizing location-based service technology in other services, including leisure, logistics and travel services, the Company provides increased convenience and added value to customers. In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, T Store, which had 23.4 million subscribers as of December 31, 2014 and which the Company plans to expand. In the media business area, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services to substantively help businesses increase their value in a rapidly evolving business environment. SK Planet Co., Ltd. (SK Planet) will continue to provide value to customers by constantly developing and improving its services.

SK Communications Co., Ltd. (SK Communications) provides integrated Internet portal services through NATE and instant messaging services through NATE-ON. Key sources of revenue for SK Communications are display advertising, search engine-based advertising, and contents and other services. Display advertising consists of image, video and Flash-based multimedia advertising carried on NATE and NATE-ON and aims to give greater exposure to the advertiser's brand name to the public. The increased effectiveness of online media as an advertising outlet has resulted in a greatly expanded advertiser base, and the increasing variety in the format of advertising has contributed to the growth of display advertising. Search engine-based advertising refers to the type of advertising that embeds advertisements within search results produced by searches of certain keywords on the NATE portal site. Search engine-based advertising has a certain appeal to small and medium-sized advertisers. Contents and other services include contents sales and providing certain types of services. Revenues from contents and other services are generated through revenues from NATE-ON instant messaging, custom decorations for mobile phones, cartoon strips, fortunetelling, movies and other contents services. In addition, SK Planet receives revenue from its services agreement with the Company in connection with operation of WAP wireless NATE services and application development.

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 |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| June 21, 2012 | Corporate bond | AAA | Korea Ratings | Regular rating |
| June 22, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| June 29, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| August 10, 2012 | Corporate bond | AAA | Korea Ratings | Current rating |
| August 14, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| August 14, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Ratings | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| April 11, 2013 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Ratings | Regular rating |
| April 11, 2013 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| April 11, 2013 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Ratings | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Ratings | Current rating |
| April 22, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| April 22, 2014 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |
| October 15, 2014 | Corporate bond | AAA | Korea Ratings | Current rating |
| October 15, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| October 15, 2014 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |
| February 9, 2015 | Corporate bond | AAA | Korea Ratings | Current rating |
| February 9, 2015 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| February 9, 2015 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |

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

(2) Commercial paper (CP)

| Credit rating date | Subject of rating | Credit rating | Credit rating entity (Credit rating range) | Rating classification |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| June 21, 2012 | CP | A1 | Korea Ratings | Current rating |
| June 22, 2012 | CP | A1 | Korea Investors Service, Inc. | Current rating |

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|-------------------|----|----|----------------------------------|----------------|
| June 29, 2012 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |
| December 14, 2012 | CP | A1 | Korea Investors Service, Inc. | Regular rating |
| December 18, 2012 | CP | A1 | Korea Ratings | Regular rating |
| December 18, 2012 | CP | A1 | NICE Investors Service Co., Ltd. | Regular rating |
| April 11, 2013 | CP | A1 | Korea Ratings | Current rating |
| April 11, 2013 | CP | A1 | Korea Investors Service, Inc. | Current rating |
| April 11, 2013 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |
| November 29, 2013 | CP | A1 | Korea Ratings | Regular rating |
| December 18, 2013 | CP | A1 | Korea Investors Service, Inc. | Regular rating |
| December 20, 2013 | CP | A1 | NICE Investors Service Co., Ltd. | Regular rating |

Table of Contents**Credit rating entity**

| Credit rating date | Subject of rating | Credit rating | (Credit rating range) | Rating classification |
|---------------------------|--------------------------|----------------------|----------------------------------|------------------------------|
| April 22, 2014 | CP | A1 | Korea Ratings | Current rating |
| April 22, 2014 | CP | A1 | Korea Investors Service, Inc. | Current rating |
| April 22, 2014 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |
| October 15, 2014 | CP | A1 | Korea Ratings | Regular rating |
| October 15, 2014 | CP | A1 | Korea Investors Service, Inc. | Regular rating |
| October 15, 2014 | CP | A1 | NICE Investors Service Co., Ltd. | Regular rating |

* Rating definition: A1 - Timely repayment capability is at the highest level with extremely low investment risk and is stable such that it will not be influenced by reasonably foreseeable changes in external factors.

(3) International credit ratings

| Date of credit rating | Subject of rating | Credit rating of securities | Credit rating company | Rating type |
|------------------------------|--------------------------|------------------------------------|-----------------------------------|--------------------|
| June 6, 2012 | Bonds denominated in | | | |
| | Swiss Franc | A- | Fitch Inc. | Current rating |
| June 4, 2012 | Bonds denominated in | | | |
| | Swiss Franc | A3 | Moody's Investors Service | Current rating |
| June 7, 2012 | Bonds denominated in | | | |
| | Swiss Franc | A- | Standard & Poor's Rating Services | Current rating |
| October 24, 2012 | Bonds denominated in | | | |
| | U.S. dollars | A- | Fitch Inc. | Current rating |
| October 24, 2012 | Bonds denominated in | | | |
| | U.S. dollars | A3 | Moody's Investors Service | Current rating |
| October 24, 2012 | Bonds denominated in | | | |
| | U.S. dollars | A- | Standard & Poor's Rating Services | Current rating |

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

2. Company History

March 2008: Purchased shares of SK Broadband Co., Ltd. (formerly Hanaro Telecom)

May 2009: Participated in the public share offering of SK Broadband Co., Ltd.

September 2009: Acquired leased line and related other business of SK Networks Co., Ltd.

February 2010: Purchased shares of Hana Card Co., Ltd.

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

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

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)

Table of Contents**B. Significant Changes in Management**

At the 28th General Meeting of Shareholders held on March 23, 2012, (1) Young Tae Kim and Dong Seob Jee were elected as inside directors, (2) Hyun Chin Lim was re-elected as an independent director, and (3) Hyun Chin Lim was re-elected as a member of the audit committee of the Company's board of directors. At the 29th General Meeting of Shareholders held on March 22, 2013, Dae Sik Cho was elected as an inside director and Dae Shick Oh was elected as an independent director and member of the audit committee of the Company's board of directors. At the 30th General Meeting of Shareholders held on March 21, 2014, Jae Hoon Lee was elected as an independent director and Jae Hyeon Ahn was elected as an independent director and member of the audit committee of the Company's board of directors. At the 31st General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was elected as an inside director.

C. Change in Company Name

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

**D. Mergers, Acquisitions and Restructuring
[SK Telecom]****(1) Spin-off**

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

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

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

| Description | (in millions of Won) | |
|--------------------|--|--|
| | Before the spin-off (As of September 30, 2011) SK Telecom Co., Ltd. | After the spin-off (As of October 1, 2011) SK Telecom Co., Ltd. SK Planet Co., Ltd. |
| Total Assets | 19,400,114 | 19,084,651 1,545,537 |

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|---------------------------|------------|------------|-----------|
| Total Liabilities | 7,673,828 | 7,358,365 | 315,463 |
| Total Shareholders Equity | 11,726,286 | 11,726,286 | 1,230,074 |

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

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

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

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

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

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

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

(3) Merger of SK Planet and SK Marketing & Company Co., Ltd.
On January 11, 2013, the Company acquired the remaining 50% equity stake in SK Marketing & Company Co., Ltd. (SK Marketing & Company), a company providing e-commerce and advertising services, from SK Innovation Co., Ltd. and gained control of both SK Marketing & Company and its subsidiary, M&Service Co., Ltd. The Company thereafter contributed the 100% equity stake in SK Marketing & Company to SK Planet and merged SK Marketing & Company into SK Planet as of February 1, 2013.

(4) Acquisition of shares of PS&Marketing
On February 20, 2014, the board of directors of the Company resolved to invest an additional 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 estimated date of investment is April 2, 2014 and the cumulative investment amount will total 330 billion.

(5) Disposition of shares of iHQ Inc.

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

(6) Acquisition of shares of Neos Networks Co., Ltd.

In order to acquire a new growth engine, the Company acquired a controlling stake in Neos Networks Co., Ltd., a building security company, with the purchase of 31,310 shares (a 66.7% equity interest) of Neos Networks Co., Ltd. on April 2, 2014.

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(7) Acquisition of shares of Iriver Ltd.

In order to foster application development and smartphone accessories as part of the Company's growth engines, 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 on August 13, 2014. As of December 31, 2014, 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 concluded that it has effective control as it holds significantly more voting rights than any other shareholder or any organized group of shareholders.

(8) Acquisition of shares of Shopkick, Inc.

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, Inc. (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.

[SK Broadband]

(1) Merger

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

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

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

[SK Planet]

(1) Merger

On January 11, 2013, the Company acquired the remaining 50% equity stake in SK Marketing & Company, a company providing e-commerce and advertising services, from SK Innovation Co., Ltd. and gained control of both SK Marketing & Company and its subsidiary, M&Service Co., Ltd. The Company thereafter contributed the 100% equity stake in SK Marketing & Company to SK Planet and merged SK Marketing & Company into SK Planet as of February 1, 2013. In connection with this merger, the merger ratio between SK Planet and SK Marketing & Company was 1.2927317:1 and SK Planet issued 12,927,317 of its common stock.

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

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[SK Telink]

(1) Merger

On July 22, 2010, the board of directors of SK Telink Co., Ltd. (SK Telink) approved the merger of TU Media Corp. into SK Telink effective as of November 1, 2010. In connection with this merger, SK Telink issued 256,763 shares of its common stock.

[SK Communications]

(1) Disposition and acquisition of businesses

1. Disposition of the Cyworld service

Pursuant to the resolution of its board of directors on March 8, 2014, SK Communications sold its Cyworld service and certain related assets to Cyworld Co., Ltd. for 2,824 million.

(2) Disposition of shares

1. Disposition of shares of Service-In

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

[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 124.5 billion for the assets acquired from SK Networks and a purchase price of 10 billion for the assets acquired from LCNC.

[M&Service]

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

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 50 billion (with an annual interest rate of 3.301% and a maturity date of May 14, 2019), 150 billion (with an annual interest rate of 3.637% and a maturity date of May 14, 2024), 50 billion (with embedded options, an annual interest rate of 4.725% and a maturity date of May 14, 2029), and 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 160 billion (with an annual interest rate of 2.53% and a maturity date of October 28, 2019), 150 billion (with an annual interest rate of 2.66% and a maturity date of October 28, 2021), and 190 billion (with an annual interest rate of 2.82% and a maturity date of October 28, 2024).

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

(2) Issuance of hybrid securities

On June 7, 2013, the Company issued 400 billion principal amount of hybrid securities in the form of unguaranteed subordinated bonds with an annual interest rate of 4.21%, which interest rate is adjusted five years after the date of issuance. The Company classified the hybrid securities as equity as there is no contractual obligation to deliver financial assets to the bondholders. The maturity date of the hybrid securities is June 7, 2073, which can be extended by the Company without any notice or announcement.

(3) Conversion of convertible notes

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

[SK Broadband]

SK Broadband acquired subscriberships of regional cable and other service providers on several different occasions. Such acquisitions were intended to secure a stable subscriber base for its broadband Internet service and, at the same time, increase the service coverage area. Because such acquisitions were conducted on a relatively small scale and involved purchase of subscriberships, SK Broadband did not believe 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, 2014)

(Unit: in shares)

| Classification | Share type | Remarks |
|-----------------------|-------------------|----------------|
| Table of Contents | | |

| | Common shares | Total |
|--|----------------------|--------------|
| I. Total number of authorized shares | 220,000,000 | 220,000,000 |
| II. Total number of shares issued to date | 89,278,946 | 89,278,946 |
| III. Total number of shares retired to date | 8,533,235 | 8,533,235 |
| a. reduction of capital | | |
| b. retirement with profit | 8,533,235 | 8,533,235 |
| c. redemption of redeemable shares | | |
| d. others | | |
| IV. Total number of shares (II-III) | 80,745,711 | 80,745,711 |
| V. Number of treasury shares | 9,809,375 | 9,809,375 |
| VI. Number of shares outstanding (IV-V) | 70,936,336 | 70,936,336 |

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of December 31, 2014)

(Unit: in shares)

| Acquisition methods | | Type of shares | At the beginning of period | Changes Acquired Disposed Retired | At the end of period | | |
|--|--|-------------------------------------|----------------------------|--|----------------------|-----------|--|
| | | | | (+) (-) (-) | | | |
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea (FSCMA) | Direct acquisition | Direct acquisition from market | Common shares | 7,086,028 | | 7,086,028 | |
| | | | Preferred shares | | | | |
| | | Direct over-the-counter acquisition | Common shares | | | | |
| | | Tender offer | Preferred shares | | | | |
| | | | Common shares | | | | |
| | | | Preferred shares | | | | |
| | | Sub-total | Common shares | 7,086,028 | | 7,086,028 | |
| | | | Preferred shares | | | | |
| | Acquisition through trust and other agreements | Held by trustee | | Common shares | | | |
| | | | | Preferred shares | | | |
| Held in actual stock | | | Common shares | 3,886,710 | | 3,886,710 | |
| | | Preferred shares | | | | | |
| | Sub-total | Common shares | 3,886,710 | | 3,886,710 | | |
| | | Preferred shares | | | | | |
| Other acquisition | | | | (1,163,363) | (1,163,363) | | |
| | | Common shares | | | | | |
| | | Preferred shares | | | | | |
| Total | | Common shares | 9,809,375 | | 9,809,375 | | |
| | | Preferred shares | | | | | |

* Due to the Company's exercise of its early redemption right with respect to its convertible notes on November 13, 2013, the conversion right exercise period had expired by December 31, 2013 and there are no more treasury shares deposited with the Korea Securities Depository.

Table of Contents**4. Status of Voting Rights**

(As of December 31, 2014)

(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 | 9,809,375 | Treasury shares |
| | Preferred share | | |
| Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C) | Common share | | |
| | Preferred share | | |
| Shares with restricted voting rights pursuant to Korean law (D) | Common share | | |
| | Preferred share | | |
| Shares with reestablished voting rights (E) | Common share | | |
| | Preferred share | | |
| The number of shares with exercisable voting rights (F = A - B - C - D + E) | Common share | 70,936,336 | |
| | Preferred share | | |

5. Dividends and Others**A. Dividends**

- (1) Distribution of cash dividends was approved during the 28th General Meeting of Shareholders held on March 23, 2012.

Distribution of cash dividends per share of 8,400 (exclusive of an interim dividend of 1,000) was approved.

- (2) Distribution of interim dividends of 1,000 was approved during the 344th Board of Directors Meeting on July 25, 2012.

- (3) Distribution of cash dividends was approved during the 29th General Meeting of Shareholders held on March 22, 2013.

Distribution of cash dividends per share of 8,400 (exclusive of an interim dividend of 1,000) was approved.

(4) Distribution of interim dividends of 1,000 was approved during the 357th Board of Directors Meeting on July 25, 2013.

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

Distribution of cash dividends per share of 8,400 (exclusive of an interim dividend of 1,000) was approved.

(6) Distribution of interim dividends of 1,000 was approved during the 366th Board of Directors Meeting on July 24, 2014.

(7) Distribution of cash dividends was approved during the 31st General Meeting of Shareholders held on March 20, 2015.

Distribution of cash dividends per share of 8,400 (exclusive of an interim dividend of 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, 2014 | As of and for the year ended December 31, 2013 | As of and for the year ended December 31, 2012 |
|--|---|---|---|
| Par value per share () | 500 | 500 | 500 |
| Net income | 1,028,541 | 910,157 | 1,242,767 |
| Net income per share () | 14,262 | 12,837 | 17,832 |
| Total cash dividend | 666,802 | 666,374 | 655,133 |
| Total stock dividends | | | |
| Percentage of cash dividend to available income (%) | 64.8 | 73.2 | 52.7 |
| Cash dividend yield ratio (%) | 3.5 | 4.1 | 6.2 |
| Stock dividend yield ratio (%) | | | |
| Cash dividend per share () | 9,400 | 9,400 | 9,400 |
| Stock dividend per share (share) | | | |

* The above figures were prepared based on separate financial statements. Net income per share means basic net income per share. The cash dividend per share of 9,400 includes the interim cash dividend per share of 1,000.

Table of Contents**II. BUSINESS**

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.

1. Business Overview

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 |
| | SK Broadband Co., Ltd. | High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents |
| Fixed-line | | 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, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator (MVNO) services |
| | SK Planet Co., Ltd. | Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others |
| Other business | SK Communications Co., Ltd. | Integrated portal services through NATE and instant messaging services through NATE-ON |
| | M&Service Co., Ltd. | System software development, distribution and technical support services and other online information services |
| | SK Planet America LLC Shopkick Management Company, Inc. | Digital contents provider and sourcing services Investment business |

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

As of December 31, 2014, the Korean mobile communication market can be considered to have reached its maturation stage with more than a 100% penetration rate. However, the Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE-A, LTE and 3G smartphones which enable the provision of convergence services for

multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the commercialization of LTE network in July 2011 and LTE-A network in June 2013, B2B businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly. In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized.

Table of Contents**B. Growth Potential**

(Unit: in 1,000 persons)

| Classification | | As of December 31, | | | | |
|-----------------------|-------------------|--------------------|---------------|---------------|---------------|---------------|
| | | 2014 | 2013 | 2012 | 2011 | 2010 |
| Number of subscribers | SK Telecom | 28,613 | 27,352 | 26,961 | 26,553 | 25,705 |
| | Others (KT, LGU+) | 28,595 | 27,328 | 26,663 | 25,954 | 25,062 |
| | Total | 57,208 | 54,680 | 53,624 | 52,507 | 50,767 |

* Source: Ministry of Science, ICT and Future Planning (MSIP) website and each Korean telecommunications company s respective earnings releases (including MVNOs).

C. Domestic and Overseas Market Conditions

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

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

(Unit: in percentages)

| Classification | As of December 31, | | | | |
|-------------------------------|--------------------|------|------|------|------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Mobile communication services | 50.0 | 50.0 | 50.3 | 50.6 | 50.6 |

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

D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the year ended December 31, 2014, the Company recorded 17.2 trillion in revenue and 1.8 trillion in operating income on a consolidated basis and 13.1 trillion in revenue and 1.7 trillion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of December 31, 2014 was 28.61 million, an increase of approximately 1,260,000 from the previous year. In particular, the number of smartphone subscribers as of December 31, 2014 was 19.49 million, an increase of approximately 1,210,000 from the previous year, including 16.74 million LTE subscribers, solidifying the Company s market leadership. Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. In December 2014, the Company launched tri-band LTE-A

services. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services, full high definition mobile IPTV streaming services, and T Baseball Multiview, which allows users to watch multiple baseball games on one screen, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea's top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 17 years, 17 years and 15 years, respectively.

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

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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 which address customers' needs for various convergence products. PS&Marketing provides differentiated service to clients through the establishment of new sales channels and product development.

[Fixed-line Business]**A. Industry Characteristics**

As subscribers to various bundled wireless and fixed-line products are continuing to increase, the IPTV business is evolving to satisfy diverse customer needs for media services through differentiated service offerings including mobile IPTV, bundled wireless and IPTV products and ultra-high definition services for smart televisions. The market for our corporate business is also growing with cloud computing, mobile offices and other new information and communications technologies being commercialized. The increased usage of smartphones and tablet computers, the pilot programming of commercial ultra-high definition television broadcasting services and competition for wideband LTE services has greatly increased data traffic, thereby further emphasizing the importance of fixed-line network infrastructure that is capable of handling large capacities of data traffic with stability and efficiency.

B. Growth Potential

(Unit: in 1,000 persons)

| Classification | | As of December 31, | | |
|------------------------|----------------------|--------------------|--------|--------|
| | | 2014 | 2013 | 2012 |
| Fixed-line Subscribers | High-speed Internet | 19,199 | 18,738 | 18,253 |
| | Fixed-line telephone | 16,939 | 17,620 | 18,261 |
| | IPTV (real-time) | 10,850 | 8,522 | 6,310 |

* Source: MSIP website, Korea Communications Commission website and the Korea Digital Media Industry Association website.

C. Cyclical Nature and Seasonality

High-speed Internet, fixed-line telephone and IPTV services are mature markets that are generally not sensitive to cyclical economic changes due to the easing of competition resulting from the decrease in differentiation between service providers and the nature of the respective services. The telecommunications services market overall is not expected to be particularly affected by economic downturns due to the low income elasticity of demand for telecommunication services.

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

(Unit: in percentages)

| Classification | As of December 31, | | |
|---|---------------------------|-------------|-------------|
| | 2014 | 2013 | 2012 |
| High-speed Internet (include resales) | 25.1 | 24.4 | 24.1 |
| Fixed-line telephone (include Voice over Internet Protocol) | 17.0 | 16.9 | 16.7 |
| IPTV | 26.1 | 23.8 | 22.0 |

* Source: MSIP website and the Korea Communications Commission website.

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

In 1999, the Company was the first in the world to commence commercial ADSL services and on the back of its premium technology and enhanced competitiveness achieved through bundled products, it is currently expanding subscriber base across all of its businesses, including broadband Internet, telephone and IPTV. In particular, SK Broadband has positioned itself to focus on corporate customer services and IPTV services as key strategic areas for mid- to long-term growth, exploiting opportunities in new ICT-based businesses that have led to revenue growth, and providing differentiated contents in its IPTV business by securing popular programming which includes exclusive children's channels and live broadcasts of Major League Baseball games. In addition, the Company is reinforcing its leadership in the ultra-high definition broadcasting market by launching ultra-high definition services that require no set-top boxes in April 2014 and by commercializing ultra-high definition set-top boxes for the first time in Korea in September 2014. Furthermore, the Company was the first in the industry to adopt solutions to upgrade full high definition to ultra-high definition, and the Company also strengthened the line-up of ultra-high definition contents by securing access to diverse contents provided by Sony and NBC Universal. Moreover, the Company provides the greatest number of channels in full high definition in the IPTV market due to its recent upgrade of all 130 live high definition channels to full high definition.

In September 2013, the Company developed technology that compresses videos for its ultra-high definition IPTV services. During the first quarter of 2014, the Company commercialized new transmission technology that can more efficiently transmit signals on the hybrid fiber-coaxial network despite its limited frequency. Furthermore, the Company solidified its technological leadership for providing ultra-high definition broadcasting for wireless and fixed line in the IPTV industry by commercializing a unique ultra-high-definition service that can be provided directly to smart televisions without the installation of smart set-top boxes in April 2014 and started transmitting ultra-high definition contents to mobile IPTV in May 2014.

SK Telink provides international telecommunications service. SK Telink 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 us to expand our international calling services to fixed-line international calling services. SK Telink plans to strategically target the convergence of wireless and fixed-line telecommunications and strengthen its existing business, including international and long-distance calling services, value-added services for local calling and B2B services, and video conference call services while aiming to satisfy the diverse needs of customers through the provision of 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, T Store). 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 to utilize this database and provide differentiated services to customers.

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B. Growth Potential

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

C. Domestic and Overseas Market Conditions

(1) Commerce markets

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

(2) Digital contents

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

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

D. Business Overview and Competitive Strengths

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

(1) Commerce

11th Street, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market and is also rapidly growing in the mobile commerce market. Growth plans involving overseas joint ventures based on 11th Street's business expertise have resulted in the successful launch of an open online commerce market in Turkey in partnership with Doğuş Group in March 2013. In Indonesia, an open market platform was successfully launched through a joint venture established in July 2013 with PT XM Axiata Tbk, a wireless telecommunications company in Indonesia. In October 2014, SK Planet and Celcom Axiata Berhad, which is a leading telecommunications service provider in Malaysia, established a joint venture, Celcom Planet, to launch online commerce services tailored to the Malaysian market in the first half of 2015.

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Syrup is a consumer-oriented commerce service and its goal is to minimize its customers' time and efforts while maximizing the economic benefits provided 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.

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. With 38 million subscribers, OK Cashbag maintains a leading position in the industry and plans to continue strengthening its position by providing customized services befitting customers' needs and market conditions.

(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 19.52 million as of December 31, 2014, T-Map Navigation is one of the leading location-based service platforms in Korea. The Company is broadening the range of its location-based services by also providing infotainment systems to commercial vehicle businesses as well as providing localized content on its products, such as region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

(3) Digital contents

T Store, launched in September 2009, reached 23.44 million subscribers and cumulative downloads of 2.5 billion as of December 31, 2014, solidifying its leadership position in the application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

The Company's Hoppin service enables subscribers to enjoy wide-ranging video on demand contents. Through continual service improvements and stable service provision, Hoppin has become the leading mobile video on demand service.

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

The Company's instant messenger service, Nate-On, had a market share of 29.4% in the instant messenger market in Korea with 5 million net users during December 2014. The Company's Internet search portal service, Nate, had a page-view market share of 5.1% as of December 31, 2014. (Source: Korean Click, based on fixed-line access)

Satellite DMB service

The Company launched its Hanbyul satellite in 2004 and received government approval in December 30, 2004 to provide satellite DMB services. Broadcasting through satellite DMB commenced in May 2005 and satellite DMB services expanded nationwide thereafter. On August 23, 2012, the board of directors of SK Telink resolved to discontinue operation of its satellite DMB services due to the rapid decrease in satellite DMB subscribers and the continued burden of fixed costs.

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

(Unit: in millions of Won and percentages)

| Business | Major Companies | Item | Major Trademarks | Consolidated Sales Amount (ratio) |
|----------------------------|---|---|--|--|
| Wireless | SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Service Ace Co., Ltd., Network O&S Co., Ltd. | Mobile communication service, wireless data service, ICT service | T and others | 13,527,881 (79%) |
| Fixed-line | SK Broadband Co., Ltd., SK Telink Co., Ltd. | Fixed-line phone, high speed Internet, data and network lease service | B tv , 00700 international call, 7Mobile and others | 2,449,920 (14%) |
| Other | SK Planet Co., Ltd , SK Communications Co., Ltd., Iriver Inc. M&Service Co., Ltd., | Internet portal service and e-commerce | OK Cashbag, NATE, T Store, T-Map Navigation and others | 1,185,997 (7%) |
| Total | | | | 17,163,798 (100%) |
| [Wireless Business] | | | | |

In the past, based on the Company's standard monthly subscription plan, the basic service fee was 13,000 per month and the usage fee was 20 per 10 seconds (daytime calls) and based on the Company's standard monthly subscription plan, the basic service fee was 12,000 per month and the usage fee was 18 per 10 seconds. As of December 31, 2014, based on the Company's standard monthly subscription plan, the basic service fee was 11,000 and the usage fee was 1.8 per second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of December 31, 2014, broadband Internet and TV services comprised 50.4% of SK Broadband's revenue, telephony service 21.5%, corporate data services 26.6% and other telecommunications services 1.5%. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long-term contracts, changes in equipment costs and competition between companies.

[Other Business]

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

| Business | Item | Major Trademarks |
|-----------------|--|---|
| Platform | ICT services, new media services, advertisement services, telecommunications sales, | Syrup, T Store, 11th Street, T Map, Hoppin, |

| | e-commerce and others | OK Cashbag and others |
|------------------------------|--------------------------------------|-----------------------|
| Display advertisement | Online advertisement services | Nate, Nate-On |
| Search advertisement | Online advertisement services | Nate, Nate-On |
| Contents and others | Pay content sales and other services | Nate, Nate-On |

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

(Unit: in 100 millions of Won)

| Business | Classification | Investment period | Subject of investment | Investment effect | Amount | |
|----------------|------------------------------|-------------------|-----------------------------|--|----------------------------|-------------------|
| | | | | | Expected investment amount | Future investment |
| Network/Common | Upgrade/ New installation | 2014 | Network, systems and others | Capacity increase and quality improvement; systems improvement | 21,000 | 21,447 |
| Total | | | | | 21,000 | 21,447 |

B. Future Investment Plan

(Unit: in 100 millions of Won)

| Business | Expected investment amount | Expected investment for each year | | | Investment effect | |
|----------------|----------------------------|-----------------------------------|--------|------------------|-------------------|---|
| | | Asset type | Amount | 2015 | | 2016 |
| Network/Common | 20,000 | Network, systems and others | 20,000 | To be determined | To be determined | Upgrades to the existing services and expanded provision of services including wideband LTE-A |
| Total | | | 20,000 | To be determined | To be determined | |

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

In 2014, the Company has increased the amount of capital investments by 25.2 billion compared to the same period in 2013 due to an increase in the number of subscribers and in order to expand its B2B coverage in advance of the revenue growth expected in the second half of 2014. The Company expects to continue to make investments to expand its customer base for future growth such that the total amount of capital investments in 2015 will be similar to that of 2014.

(Unit: in 100 millions of Won)

| Business | Classification | Investment period | Subject of investment | Investment effect | Amount | |
|----------|----------------|-------------------|-----------------------|-------------------|------------------|-------------------|
| | | | | | Total investment | Future investment |
| | | | | | already invested | |

| | | | | | | | |
|---------------------|------------------------------|---|---|--|-------|-------|---------------------|
| High-speed Internet | | | | Expand subscriber networks and facilities | | 1,137 | |
| Telephone | | | | | | 67 | |
| Television | | | | | | 1,362 | |
| Corporate Data | Upgrade/ New installation | For the year ended December 31, 2014 | Backbone and subscriber network / others | Increase leased-line and integrated information system | 6,014 | | To be determined |
| Others | | | | Expand networks and required space | | 2,490 | |
| | | | | | | 958 | |
| Total | | | | | 6,014 | 6,014 | |

4. Revenues

(Unit: in millions of Won)

| Business | Sales type | Item | For the year ended | | | |
|-------------------|---------------|--|----------------------|----------------------|-----------------------|------------|
| | | | December 31, 2014 | December 31, 2013 | December 31, 2012* | |
| Wireless | Services | Mobile communication | Export | 6,773 | 2,526 | 14,202 |
| | | | Domestic | 13,521,108 | 13,313,006 | 13,204,702 |
| | | | Subtotal | 13,527,881 | 13,315,532 | 13,218,904 |
| Fixed-line | Services | Fixed-line, B2B data, High-speed Internet, TV | Export | 63,608 | 28,002 | 29,883 |
| | | | Domestic | 2,386,312 | 2,296,387 | 2,163,978 |
| | | | Subtotal | 2,449,920 | 2,324,389 | 2,193,861 |
| Other | Services | Display and Search ad., Content | Export | 20,798 | 14,049 | 4,698 |
| | | | Domestic | 1,165,199 | 948,084 | 723,946 |
| | | | Subtotal | 1,185,997 | 962,133 | 728,644 |
| Total | | | Export | 91,179 | 44,577 | 48,783 |
| | | | Domestic | 17,072,619 | 16,557,477 | 16,092,626 |
| | | | Total | 17,163,798 | 16,602,054 | 16,141,409 |

* Revenue for the year ended December 31, 2012 has been retroactively revised to reflect the effect of discontinued operations resulting from the sale of Loen Entertainment.

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(Unit: in millions of Won)

| For the year ended December 31, 2014 | Wireless | Fixed | Other | Sub total | Internal transaction | After consolidation |
|---|-----------------|--------------|--------------|------------------|-----------------------------|----------------------------|
| Total sales | 15,248,039 | 3,119,845 | 1,884,784 | 20,252,668 | (3,088,870) | 17,163,798 |
| Internal sales | 1,720,158 | 669,925 | 698,787 | 3,088,870 | (3,088,870) | |
| External sales | 13,527,881 | 2,449,920 | 1,185,997 | 17,163,798 | | 17,163,798 |
| Operating income (loss) | 1,754,433 | 80,423 | (9,751) | 1,825,105 | | 1,825,105 |
| Profit (loss) for the period | | | | | | 2,253,828 |
| Total assets | 23,451,471 | 3,434,020 | 3,202,833 | 30,088,324 | (2,149,091) | 27,941,233 |
| Total liabilities | 9,626,724 | 2,172,454 | 924,683 | 12,723,861 | (30,898) | 12,692,963 |

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

Currency swap contracts under cash flow hedge accounting as of December 31, 2014 are as follows.

| Borrowing date | Hedged item | Hedged risk | Contract type | Financial institution | Duration of contract |
|-----------------------|--|-----------------------|----------------------|-------------------------------------|--------------------------------|
| Jul. 20, 2007 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000) | Foreign currency risk | Cross currency swap | Morgan Stanley and five other banks | Jul. 20, 2007 Jul. 20, 2027 |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000) | Foreign currency risk | Cross currency swap | Citibank and five other banks | Jun. 12, 2012 Jun.12, 2017 |
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000) | Foreign currency risk | Cross currency swap | Barclays and nine other banks | Nov. 1, 2012 May. 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar) | Foreign currency risk | Cross currency swap | BNP Paribas and three other banks | Jan. 17, 2013 Nov. 17, 2017 |

| | | | | | |
|---------------|--|--|---|--------------------------------------|------------------------------------|
| | denominated bonds face value of AUD 300,000,000) | | | | |
| Mar. 7, 2013 | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000) | Foreign currency risk and interest rate risk | Cross currency interest rate swap | DBS Bank | Mar. 7, 2013 Mar. 7, 2020 |
| Oct. 29, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000) | Foreign currency risk | Cross currency swap | Korea Development Bank and others | Oct. 29, 2013 Oct. 26, 2018 |
| Dec. 16, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$86,338,000) | Foreign currency risk | Cross currency swap | Deutsche Bank | Dec. 16, 2013 Apr. 29, 2022 |

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

As of December 31, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows.

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

| Hedged item | Accumulated gain (loss) on valuation of derivatives | Tax effect | Fair value | | Trading purposes | Total |
|---|--|------------|--|------------------------|---------------------|------------------|
| | | | Cash flow hedge Foreign currency translation gain (loss) | Others ^(*1) | | |
| Non-current assets: | | | | | | |
| Convertible option ^(*2) (face amounts of 100 million) | | | | | 8,713 | 8,713 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000) | (40,360) | (12,886) | (17,545) | 129,806 | | 59,015 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000) | 8,895 | | (6,588) | | | 2,307 |
| Total assets | | | | | | 70,035 |
| Non-current liabilities: | | | | | | |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000) | (8,725) | (2,786) | (29,993) | | | (41,504) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000) | (22,903) | (7,312) | 6,058 | | | (24,157) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000) | 2,588 | 826 | (65,496) | | | (62,082) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000) | (4,369) | (1,395) | 4,668 | | | (1,096) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$86,338,000) | (4,439) | (1,417) | 3,806 | | | (2,050) |
| Total liabilities | | | | | | (130,889) |

- (*1) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2012.
- (*2) Fair value of the conversion option of convertible bonds held by SK Communications Co., Ltd. amounting to 10 million was accounted for as derivative financial assets.

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

(Unit: in 100 millions of Won)

| Category | Vendor | Start Date | Completion Date | Contract Title | Contract Amount |
|-----------------|--------------------------|-------------------|------------------------|---|------------------------|
| Purchase | SK Planet Co., Ltd. | January 1, 2014 | January 1, 2015 | 2014 SK Planet B2B Strategic Product #1 T map | 2,545 |
| Purchase | SK C&C Co., Ltd. | April 1, 2014 | December 31, 2014 | 2014 IT Academy IT Service Management Contract (SK C&C) | 1,462 |
| Purchase | SK Planet Co., Ltd. | January 1, 2014 | January 1, 2015 | 2014 SK Planet B2B Strategic Product #2 T freemium | 1,001 |
| Purchase | SK Planet Co., Ltd. | January 1, 2014 | January 1, 2015 | 2014 SK Planet B2B Biz ASP #5 Voice/Messaging VAS (Color Ring, etc.) | 545 |
| Purchase | SK Planet Co., Ltd. | March 1, 2014 | February 1, 2015 | 2014 T Membership Program Management Contract (March 2014 January 2015) | 529 |
| Real Estate | Individuals | January 1, 2014 | December 31, 2014 | Purchase of land (Daegu Dalsung region and 25 others) | 237 |
| Construction | UbiNS Co., Ltd. | December 23, 2014 | December 31, 2015 | 2014 B2B GOP Unmanned Security System Installation in eastern Korea | 166 |
| Goods | Comtec Systems Co., Ltd. | June 25, 2014 | June 19, 2014 | 2014 B2B ROK Air Force Base Command/Maintenance Wireless Network System Installation (Terminal) | 103 |
| Equipment | SeAH Networks Co., Ltd. | June 19, 2014 | December 19, 2014 | 2014 B2B ROK Air Force Base ALU TD-LTE Wireless Network Equipment | 100 |
| Service | SK Planet Co., Ltd. | July 1, 2014 | December 31, 2014 | X-Life Service Development, 1 st stage | 52 |
| Real Estate | SK Broadband Co., Ltd. | February 1, 2015 | January 31, 2016 | Namsan Office Building Lease Contract | 52 |
| Subtotal | | | | | 6,792 |

[SK Broadband]

SK Broadband enters into contracts to use telecommunications facilities, including the use of line conduits and interconnection among telecommunication service providers.

| Counterparty | Contract Contents | Contract Period | Note |
|-------------------------------------|---|---|--|
| Telecommunication service providers | Interconnection among telecommunication service providers | | Automatically renewed for two years at a time unless specific amendments are requested |
| KEPCO | Provision of electric facilities | From Nov. 2014 to Oct. 2015 | Use of electricity poles |
| Seoul City Railway | Use of telecommunication line conduits | From Jan. 2012 to Dec. 2014 | Use of railway telecommunication conduit |
| Busan Transportation Corporation | Use of telecommunication line conduits | From July 2009 to July 2013 (Renewal in progress) | Use of railway telecommunication conduit (Serviced areas to expand) |
| Seoul Metro | Use of telecommunication line conduits | From May 2010 to May 2013 (Renewal in progress) | Use of railway telecommunication conduit (Serviced areas to expand) |
| Gwangju City Railway | Use of telecommunication line conduits | From Sep. 2010 to Dec. 2012 (Renewal in progress) | Use of railway telecommunication conduit (Service lease) |

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

[SK Communications]

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

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

7. R&D Investments

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

(Unit: in millions of Won except percentages)

| Category | For the year ended December 31, | | | Remarks |
|--------------|---------------------------------|--------|--------|---------|
| | 2014 | 2013 | 2012 | |
| Raw material | 530 | 38 | 42 | |
| Labor | 71,224 | 79,865 | 59,050 | |

| | | | |
|---|---------|---------|---------|
| Depreciation | 176,975 | 158,158 | 163,295 |
| Commissioned service | 67,802 | 22,923 | 62,399 |
| Others | 81,221 | 102,668 | 61,546 |
| Total R&D costs | 397,752 | 363,652 | 346,332 |
| Sales and administrative expenses | 390,943 | 352,385 | 304,557 |
| Accounting | | | |
| Development expenses (Intangible assets) | 6,809 | 11,267 | 41,775 |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | 2.32% | 2.19% | 2.12% |

8. Other information relating to investment decisions

A. Trademark Policies

The Company manages its corporate brand and other product brands in a comprehensive way to protect and increase their value. The Company's Brand Strategy Council in charge of overseeing its systematic corporate branding operates full-time to execute decisions involving major brands and operates Brandnet, an intranet system to manage corporate brands which provides solutions including registering and licensing of the brands.

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B. Business-related Intellectual Property

[SK Telecom]

The Company holds 5,099 Korean-registered patents, 339 U.S.-registered patents, 225 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 925 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

[SK Broadband]

SK Broadband holds 411 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of December 31, 2014, SK Planet held 2,502 registered patents, 112 registered design marks, 1,219 registered trademarks and one copyright (including those held jointly with other companies) in Korea. It also holds 103 U.S.-registered patents, 86 Chinese-registered patents, 58 Japanese-registered patents, 24 E.U.-registered patents (all including patents held jointly with other companies) and 272 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of December 31, 2014, SK Communications held 75 registered patents, 26 registered design rights and 700 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

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

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

Below is the summary consolidated financial information of the Company as of and for the years ended December 31, 2014, 2013 and 2012. The Company's audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013, which are prepared in accordance with K-IFRS, are attached hereto.

| | (Unit: in millions of Won except number of companies) | | |
|---|---|-------------------|-------------------|
| | As of | As of | As of |
| | December 31, 2014 | December 31, 2013 | December 31, 2012 |
| Assets | | | |
| Current Assets | 5,083,148 | 5,123,415 | 5,294,421 |
| Cash and Cash Equivalents | 834,429 | 1,398,639 | 920,125 |
| Accounts Receivable Trade, net | 2,392,150 | 2,257,316 | 1,954,920 |
| Accounts Receivable Other, net | 690,527 | 643,603 | 582,098 |
| Others | 1,166,042 | 823,857 | 1,837,278 |
| Non-Current Assets | 22,858,085 | 21,453,100 | 20,301,138 |
| Long-Term Investment Securities | 956,280 | 968,527 | 953,712 |
| Investments in Associates and Joint Ventures | 6,298,088 | 5,325,297 | 4,632,477 |
| Property and Equipment, net | 10,567,701 | 10,196,607 | 9,712,719 |
| Intangible Assets, net | 2,483,994 | 2,750,782 | 2,689,658 |
| Goodwill | 1,917,595 | 1,733,261 | 1,744,483 |
| Others | 634,427 | 478,626 | 568,089 |
| Total Assets | 27,941,233 | 26,576,515 | 25,595,559 |
| Liabilities | | | |
| Current Liabilities | 5,420,310 | 6,069,220 | 6,174,895 |
| Non-Current Liabilities | 7,272,653 | 6,340,738 | 6,565,882 |
| Total Liabilities | 12,692,963 | 12,409,958 | 12,740,777 |
| Equity | | | |
| Equity Attributable to Owners of the Parent Company | 14,506,739 | 13,452,372 | 11,854,777 |
| Share Capital | 44,639 | 44,639 | 44,639 |
| Capital Surplus (Deficit) and Other Capital Adjustments | 277,998 | 317,508 | (288,883) |
| Retained Earnings | 14,188,591 | 13,102,495 | 12,124,657 |
| Reserves | (4,489) | (12,270) | (25,636) |
| Non-controlling Interests | 741,531 | 714,185 | 1,000,005 |
| Total Equity | 15,248,270 | 14,166,557 | 12,854,782 |
| Total Liabilities and Equity | 27,941,233 | 26,576,515 | 25,595,559 |
| Number of Companies Consolidated | 40 | 28 | 32 |

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

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012* |
|---|---|---|--|
| Operating Revenue | 17,163,798 | 16,602,054 | 16,141,409 |
| Operating Income | 1,852,105 | 2,011,109 | 1,730,049 |
| Profit Before Income Tax | 2,253,828 | 1,827,101 | 1,519,368 |
| Profit for the Period | 1,799,320 | 1,609,549 | 1,115,663 |
| Profit for the Period Attributable to Owners of the Parent Company | 1,801,178 | 1,638,964 | 1,151,705 |
| Profit for the Period Attributable to Non-controlling Interests | (1,858) | (29,415) | (36,042) |
| Basic Earnings Per Share () | 25,154 | 23,211 | 16,525 |
| Diluted Earnings Per Share () | 25,154 | 23,211 | 16,141 |

* Financial information for the year ended December 31, 2012 have been retroactively revised to reflect the effect of discontinued operations resulting from the sale of Loen Entertainment.

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, 2014, 2013 and 2012. The Company's audited separate financial statements as of and for the years ended December 31, 2014 and 2013, which have been prepared in accordance with K-IFRS, are attached hereto.

| | (Unit: in millions of Won) | | |
|---|----------------------------|----------------------------|----------------------------|
| | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2012 |
| Assets | | | |
| Current Assets | 2,689,913 | 2,817,782 | 2,589,699 |
| Cash and Cash Equivalents | 248,311 | 448,459 | 256,577 |
| Accounts Receivable Trade, net | 1,559,281 | 1,513,138 | 1,407,206 |
| Accounts Receivable Other, net | 305,990 | 388,475 | 383,048 |
| Others | 576,331 | 467,710 | 542,868 |
| Non-Current Assets | 20,022,549 | 20,009,637 | 19,659,803 |
| Long-Term Investment Securities | 608,797 | 729,703 | 733,893 |
| Investments in Subsidiaries and Associates | 8,181,769 | 8,010,121 | 7,915,547 |
| Property and Equipment, net | 7,705,906 | 7,459,986 | 7,119,090 |
| Intangible Assets, net | 1,928,169 | 2,239,167 | 2,187,872 |
| Goodwill | 1,306,236 | 1,306,236 | 1,306,236 |
| Others | 291,672 | 264,424 | 397,165 |
| Total Assets | 22,712,462 | 22,827,419 | 22,249,502 |
| Liabilities | | | |
| Current Liabilities | 3,378,046 | 4,288,07 | 4,343,086 |
| Non-Current Liabilities | 5,792,195 | 5,223,938 | 5,529,368 |
| Total Liabilities | 9,170,241 | 9,512,011 | 9,872,454 |
| Equity | | | |
| Share Capital | 44,639 | 44,639 | 44,639 |
| Capital Surplus and Other Capital Adjustments | 433,894 | 433,894 | (236,160) |
| Retained Earnings | 12,996,790 | 12,665,699 | 12,413,981 |
| Reserves | 66,898 | 171,176 | 154,588 |
| Total Equity | 13,542,221 | 13,315,408 | 12,377,048 |
| Total Liabilities and Equity | 22,712,462 | 22,827,419 | 22,249,502 |

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

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|--------------------------------|--|--|--|
| Operating Revenue | 13,012,644 | 12,860,379 | 12,332,719 |
| Operating Income | 1,737,160 | 1,969,684 | 1,675,388 |
| Profit Before Income Tax | 1,321,750 | 1,220,797 | 1,546,719 |
| Profit for the Period | 1,028,541 | 910,157 | 1,242,767 |
| Basic Earnings Per Share () | 14,262 | 12,837 | 17,832 |
| Diluted Earnings Per Share () | 14,262 | 12,837 | 17,406 |

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

During the year ended December 31, 2013, SK Planet sold 13,924,369 shares (52.6% ownership interest) of Loen Entertainment, a company engaged in the publishing of music and provision of online music services, to Star Invest Holdings Limited. Following the disposition of shares, SK Planet's ownership interests in Loen Entertainment decreased to 15.0%. As a result of the transaction, Loen Entertainment was excluded from scope of consolidation. See note 39 of the notes to our consolidated financial statements for more information relating to the restatement.

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, 2014

Allowance for Doubtful

| | Gross amount | Accounts | Percentage |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,682,595 | 221,909 | 8% |
| Loans | 157,934 | 27,694 | 18% |
| Accounts receivable other | 772,711 | 78,588 | 10% |
| Accrued income | 10,134 | | 0% |
| Guarantee deposits | 289,009 | | 0% |
| Total | 3,912,383 | 328,191 | 8% |

(Unit: in millions of Won)

For the year ended December 31, 2013

Allowance for Doubtful

| | Gross amount | Accounts | Percentage |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,495,155 | 224,685 | 9% |
| Loans | 164,306 | 27,469 | 17% |
| Accounts receivable other | 715,405 | 71,802 | 10% |
| Accrued income | 11,970 | 29 | 0% |
| Guarantee deposits | 252,148 | | 0% |
| Total | 3,638,984 | 323,985 | 9% |

(Unit: in millions of Won)

For the year ended December 31, 2012

Allowance for Doubtful

| | Gross amount | Accounts | Percentage |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,181,317 | 213,020 | 10% |
| Loans | 184,424 | 30,218 | 16% |

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| | | | |
|---------------------------|------------------|----------------|-----------|
| Accounts receivable other | 639,387 | 57,288 | 9% |
| Accrued income | 8,857 | 142 | 2% |
| Guarantee deposits | 236,674 | | 0% |
| Total | 3,250,659 | 300,668 | 9% |

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

(Unit: in millions of Won)

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
|---|--|--|--|
| Beginning balance | 323,985 | 300,668 | 318,821 |
| Increase of allowance for doubtful accounts | 63,697 | 79,330 | 82,500 |
| Reversal of allowance for doubtful accounts | | (359) | (5,902) |
| Write-offs | (89,529) | (76,697) | (111,611) |
| Other | 30,039 | 21,042 | 16,861 |
| Ending balance | 328,191 | 323,985 | 300,668 |

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 and 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 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

| | | For the year ended December 31, 2014 | | | | |
|---------------------|-------|---|--|---|----------------------------------|--------------|
| | | Six months or less | From six months to one year | From one year to three years | More than three years | Total |
| Accounts receivable | trade | 2,130,594 | 100,031 | 173,488 | 278,482 | 2,682,595 |
| Percentage | | 79.4% | 3.7% | 6.5% | 10.4% | 100.0% |

C. Inventories**(1) Detailed Categories of Inventories**

| (Unit: in millions of Won) | | | |
|---|---|---|---|
| Account Category | For the year ended December 31, 2014 | For the year ended December 31, 2013 | For the year ended December 31, 2012 |
| Merchandise | 246,738 | 161,928 | 228,856 |
| Goods in transit | | | |
| Other inventories | 20,929 | 15,192 | 13,290 |
| Total | 267,667 | 177,120 | 242,146 |
| Percentage of inventories to total assets | | | |
| [Inventories / Total assets] | 0.96% | 0.67% | 0.95% |
| Inventory turnover | 7.55 | 6.20 | 9.85 |

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

(2) Reporting of Inventories

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

D. Fair Value Measurement

See notes from 4(5) to 4(7) and 4(16) of the notes to our consolidated financial statements for more information.

Table of Contents**E. Issuance of Debt Securities**(1) Issuance of Debt Securities
[SK Telecom]

as of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Face amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|---------|-------------------------|------------|---------------|--------------------|---------------|--|---------------|--------------------|---|
| Telecom | Commercial Paper (CP) | Private | Feb. 13, 2012 | 200,000 | 3.450 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Feb. 22, 2012 | Paid | Samsung Securities |
| Telecom | CP | Private | Apr. 27, 2012 | 300,000 | 3.460 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 24, 2012 | Paid | Samsung Securities |
| Telecom | CP | Private | May. 7, 2012 | 200,000 | 3.460 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 13, 2012 | Paid | Woori Bank, HI Investment & Securities |
| Telecom | CP | Private | May. 14, 2012 | 300,000 | 3.460 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 26, 2012 | Paid | Shinhan Bank, Shinhan Investment, HI Investment & Securities, KTB Investment & Securities |
| Telecom | CP | Private | May. 25, 2012 | 200,000 | 3.420 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 13, 2012 | Paid | Shinhan Investment, HI Investment & Securities |
| Telecom | CP | Private | May. 25, 2012 | 300,000 | 3.450 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 26, 2012 | Paid | Samsung Securities |
| Telecom | CP | Private | Jun. 26, 2012 | 100,000 | 3.430 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 26, 2012 | Paid | Shinhan Investment |
| Telecom | CP | Private | Jun. 29, 2012 | 100,000 | 3.430 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 26, 2012 | Paid | Samsung Securities |
| Telecom | CP | Private | Jul. 2, 2012 | 400,000 | 3.450 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors | Aug. 24, 2012 | Paid | Samsung Securities, HI Investment & Securities, KTB Investment & |

| | | | | | Service Co., Ltd.) | | | | Securities |
|------------|---------|---------------|---------|-------|--|---------------|------|---|------------|
| Telecom CP | Private | Aug. 6, 2012 | 100,000 | 3.120 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 14, 2012 | Paid | Hanyang Securities | |
| Telecom CP | Private | Aug. 10, 2012 | 400,000 | 3.080 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 14, 2012 | Paid | Shinhan Bank, Shinha Investment, HI Investment & Securities KTB Investment & Securities | |
| Telecom CP | Private | Aug. 31, 2012 | 300,000 | 3.100 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 26, 2012 | Paid | Samsung Securities | |
| Telecom CP | Private | Sep. 3, 2012 | 100,000 | 3.080 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 26, 2012 | Paid | Hanwha Investment & Securities | |
| Telecom CP | Private | Sep. 10, 2012 | 70,000 | 3.630 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 14, 2012 | Paid | Shinhan Bank | |

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As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Face amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|------------|-----------------|------------|---------------|--------------------|---------------|--|---------------|--------------------|---|
| SK Telecom | CP | Private | Sep. 14, 2012 | 570,000 | 3.120 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 28, 2012 | Paid | Woori Bank, Shinhan Bank, Samsung Securities, Hanyang Securities, HI Investment & Securities, KTB Investment & Securities |
| SK Telecom | CP | Private | Oct. 2, 2012 | 300,000 | 3.150 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Oct. 12, 2012 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Oct. 4, 2012 | 100,000 | 3.110 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Oct. 12, 2012 | Paid | Hanwha Investment & Securities |
| SK Telecom | CP | Private | Oct. 31, 2012 | 100,000 | 2.890 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 27, 2012 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Nov. 6, 2012 | 500,000 | 2.860 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 27, 2012 | Paid | Shinhan Bank, Samsung Securities, Hanwha Investment & Securities, Korea Investment & Securities |
| SK Telecom | CP | Private | Nov. 13, 2012 | 400,000 | 2.860 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Nov. 26, 2012 | Paid | Shinhan Bank, Samsung Securities, Hanyang Securities, KTB Investment & Securities |
| SK Telecom | CP | Private | Dec. 6, 2012 | 200,000 | 2.860 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 28, 2012 | Paid | Shinhan Bank, Hanwha Investment & Securities |
| SK Telecom | CP | Private | Dec. 21, 2012 | 60,000 | 2.980 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 14, 2013 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Dec. 27, 2012 | 20,000 | 3.050 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 25, 2013 | Paid | Hanwha Investment & Securities |
| SK Telecom | CP | Private | Dec. 27, 2012 | 50,000 | 3.100 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 29, 2013 | Paid | Samsung Securities |
| | CP | Private | | 500,000 | 2.880 | | | Paid | |

| | | | | | | | | | |
|------------|----|---------|---------------|---------|-------|--|---------------|------|--|
| SK Telecom | | | Jan. 4, 2013 | | | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Feb. 15, 2013 | | Hanwha Investment & Securities, Samsung Securities, Shinhan Bank |
| SK Telecom | CP | Private | Jan. 10, 2013 | 300,000 | 2.860 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 24, 2013 | Paid | Hanwha Investment & Securities, Samsung Securities, Shinhan Bank, Hanyang Securities |
| SK Telecom | CP | Private | Feb. 6, 2013 | 500,000 | 2.820 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Feb. 26, 2013 | Paid | Hanwha Investment & Securities, Samsung Securities, Shinhan Bank |
| SK Telecom | CP | Private | Feb. 14, 2013 | 300,000 | 2.820 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 15, 2013 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Feb. 15, 2013 | 200,000 | 2.810 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 15, 2013 | Paid | Hanwha Investment & Securities, Hanyang Securities, Shinhan Bank |
| SK Telecom | CP | Private | Feb. 26, 2013 | 500,000 | 2.800 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 27, 2013 | Paid | Hanwha Investment & Securities, Samsung Securities, Hanyang Securities |

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Face amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|---------------|------------------------|-------------------|--------------------|---------------------------|----------------------|--|----------------------|---------------------------|--|
| SK Telecom | CP | Private | Apr. 1, 2013 | 400,000 | 2.780 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Apr. 25, 2013 | Paid | KTB Investment & Securities |
| SK Telecom | CP | Private | Apr. 4, 2013 | 200,000 | 2.810 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Apr. 23, 2013 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Apr. 15, 2013 | 500,000 | 2.820 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 24, 2013 | Paid | Hanwha Investment & Securities, Shinhan Bank, Hanyang Securities |
| SK Telecom | CP | Private | Apr. 25, 2013 | 500,000 | 2.940 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 26, 2013 | Paid | Samsung Securities, KTB Investment & Securities |
| SK Telecom | CP | Private | Jul. 1, 2013 | 200,000 | 2.700 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 17, 2013 | Paid | Hanwha Investment & Securities, Hanyang Securities, Shinhan Bank |

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|------------|----|---------|---------------|---------|-------|--|---------------|------|---|
| SK Telecom | CP | Private | Sep. 5, 2013 | 200,000 | 2.640 | Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 16, 2013 | Paid | KTB Investment & Securities, Hanyang Securities |
| SK Telecom | CP | Private | Oct. 7, 2013 | 300,000 | 2.690 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Nov. 26, 2013 | Paid | Hanyang Securities |
| SK Telecom | CP | Private | Nov. 7, 2013 | 200,000 | 2.700 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 27, 2013 | Paid | KTB Investment & Securities, Shinhan Bank |
| SK Telecom | CP | Private | Dec. 5, 2013 | 200,000 | 2.630 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 27, 2013 | Paid | Samsung Securities, Woori Investment Bank |
| SK Telecom | CP | Private | Dec. 26, 2013 | 100,000 | 3.090 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 3, 2014 | Paid | Hanyang Securities |
| SK Telecom | CP | Private | Dec. 27, 2013 | 100,000 | 3.090 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 6, 2014 | Paid | Samsung Securities |

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|------------|----|---------|---------------|---------|-------|--|---------------|------|---|
| SK Telecom | CP | Private | Jan. 3, 2014 | 300,000 | 2.730 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 24, 2014 | Paid | Woori Investment Bank, Hanyang Securities |
| SK Telecom | CP | Private | Jan. 6, 2014 | 300,000 | 2.770 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Feb. 26, 2014 | Paid | Samsung Securities, KTB Investment & Securities |
| SK Telecom | CP | Private | Jan. 24, 2014 | 300,000 | 2.770 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 14, 2014 | Paid | Hanyang Securities, Shinhan Bank |
| SK Telecom | CP | Private | Feb. 20, 2014 | 100,000 | 2.660 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 26, 2014 | Paid | KTB Investment & Securities |
| SK Telecom | CP | Private | Mar. 6, 2014 | 100,000 | 2.670 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Mar. 26, 2014 | Paid | Woori Investment Bank |

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|------------|----|---------|---------------|---------|-------|--|---------------|------|---|
| SK Telecom | CP | Private | Mar. 6, 2014 | 100,000 | 2.730 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Apr. 24, 2014 | Paid | Woori Investment Bank |
| SK Telecom | CP | Private | Mar. 21, 2014 | 300,000 | 2.730 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 26, 2014 | Paid | Samsung Securities, KTB Investment & Securities |

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Face amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|---------------|------------------------|-------------------|--------------------|---------------------------|----------------------|--|----------------------|---------------------------|-----------------------------|
| SK Telecom | CP | Private | Apr. 4, 2014 | 200,000 | 2.660 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Apr. 24, 2014 | Paid | Shinhan Bank |
| SK Telecom | CP | Private | Apr. 4, 2014 | 100,000 | 2.690 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 13, 2014 | Paid | Hanyang Securities |
| SK Telecom | CP | Private | Apr. 10, 2014 | 100,000 | 2.660 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 15, 2014 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Apr. 15, 2014 | 100,000 | 2.680 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 26, 2014 | Paid | KTB Investment & Securities |
| SK Telecom | CP | Private | Apr. 28, 2014 | 200,000 | 2.740 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 16, 2014 | Paid | Shinhan Bank |

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| | | | | | | | | | |
|------------|----|---------|------------------|---------|-------|---|------------------|------|---|
| | | | | | | Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | | | |
| SK Telecom | CP | Private | May. 8, 2014 | 100,000 | 2.650 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | May. 26, 2014 | Paid | Woori Investment Bank |
| SK Telecom | CP | Private | Jun. 2, 2014 | 300,000 | 2.640 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jun. 26, 2014 | Paid | Hanyang Securities, KTB Investment & Securities |
| SK Telecom | CP | Private | Jun. 9, 2014 | 200,000 | 2.680 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 16, 2014 | Paid | Shinhan Bank |
| SK Telecom | CP | Private | Jun. 27, 2014 | 100,000 | 2.700 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 24, 2014 | Paid | Samsung Securities |
| SK Telecom | CP | Private | Jun. 27, 2014 | 100,000 | 2.700 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jul. 24, 2014 | Paid | Woori Investment Bank |

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|------------|----|---------|---------------|---------|-------|---|---------------|------|-----------------------------------|
| SK Telecom | CP | Private | Jul. 7, 2014 | 200,000 | 2.670 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Aug. 14, 2014 | Paid | Shinhan Bank |
| SK Telecom | CP | Private | Jul. 28, 2014 | 300,000 | 2.630 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Aug. 26, 2014 | Paid | Hanyang Securities |
| SK Telecom | CP | Private | Aug. 5, 2014 | 150,000 | 2.600 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Aug. 20, 2014 | Paid | KTB Investment & Securities |
| SK Telecom | CP | Private | Aug. 20, 2014 | 200,000 | 2.400 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Oct. 24, 2014 | Paid | KTB Investment & Securities |
| SK Telecom | CP | Private | Aug. 25, 2014 | 200,000 | 2.370 | Inc., Korea Ratings, NICE Investors Service Co., Ltd.) A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 17, 2014 | Paid | Hanyang Securities |

| | | | | | | | | | |
|------------|----|---------|---------------|---------|-------|--|---------------|------|----------------------------------|
| | | | | | | Korea Ratings, NICE Investors Service Co., Ltd.) | | | |
| SK Telecom | CP | Private | Sep. 1, 2014 | 300,000 | 2.370 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Sep. 25, 2014 | Paid | Shinhan Bank, BS Securities |
| SK Telecom | CP | Private | Sep. 25, 2014 | 200,000 | 2.370 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Oct. 24, 2014 | Paid | Hanyang Securities |
| SK Telecom | CP | Private | Oct. 7, 2014 | 200,000 | 2.330 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Oct. 24, 2014 | Paid | Shinhan Bank, Samsung Securities |

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Face amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|---------------|------------------------|-------------------|--------------------|---------------------------|----------------------|--|----------------------|---------------------------|---|
| SK Telecom | CP | Private | Nov. 6, 2014 | 200,000 | 2.010 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Nov. 26, 2014 | Paid | Shinyoung Securities |
| SK Telecom | CP | Private | Dec. 1, 2014 | 200,000 | 2.090 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 16, 2014 | Paid | Shinhan Bank, Woori Investment Bank |
| SK Telecom | CP | Private | Dec. 12, 2014 | 250,000 | 2.250 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Dec. 26, 2014 | Paid | KTB Investment & Securities, Shinyoung Securities, Shinhan Bank |
| SK Telecom | CP | Private | Dec. 30, 2014 | 100,000 | 2.370 | A1(Korea Investors Service, Inc., Korea Ratings, NICE Investors Service Co., Ltd.) | Jan. 15, 2015 | Outstanding | Shinhan Bank |
| SK Telecom | Hybrid securities | Private | Jun. 7, 2013 | 400,000 | 4.210 | U-AA+ (Korea Ratings) | Jun. 7, 2073 | Outstanding | Daewoo Securities |
| SK Telecom | Corporate bonds | Public | Jun. 12, 2012 | 341,529 | 1.750 | A3/A-/A- (Moody s, S&P, Fitch) | Jun. 12, 2017 | Outstanding | CS, BNP, Barclays |

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| | | | | | | | | | |
|------------|-----------------|--------|---------------|---------|-------|---|---------------|-------------|--|
| SK Telecom | Corporate bonds | Public | Aug. 28, 2012 | 170,000 | 3.240 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Aug. 28, 2019 | Outstanding | Shinhan Investment |
| SK Telecom | Corporate bonds | Public | Aug. 28, 2012 | 140,000 | 3.300 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Aug. 28, 2022 | Outstanding | Shinhan Investment |
| SK Telecom | Corporate bonds | Public | Aug. 28, 2012 | 90,000 | 3.450 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Aug. 28, 2032 | Outstanding | Shinhan Investment |
| SK Telecom | Corporate bonds | Public | Nov. 1, 2012 | 710,080 | 2.130 | A3/A-/A- (Moody s, S&P, Fitch) | May. 1, 2018 | Outstanding | MS, ML, CS, HSBC, UBS, DB, CITI, RBS, Barclays, Nomura |
| SK Telecom | Corporate bonds | Public | Jan. 17, 2013 | 286,578 | 4.750 | A3/A-/A- (Moody s, S&P, Fitch) | Nov. 17, 2017 | Outstanding | BNP |
| SK Telecom | Corporate bonds | Public | Apr. 23, 2013 | 230,000 | 3.030 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Apr. 23, 2023 | Outstanding | Daewoo Securities |
| SK Telecom | Corporate bonds | Public | Apr. 23, 2013 | 130,000 | 3.220 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Apr. 23, 2033 | Outstanding | Daewoo Securities |
| SK Telecom | Corporate bonds | Public | May. 14, 2014 | 50,000 | 3.300 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | May. 14, 2019 | Outstanding | Shinhan Investment, Daewoo Securities |
| SK Telecom | Corporate bonds | Public | May. 14, 2014 | 150,000 | 3.640 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | May. 14, 2024 | Outstanding | Shinhan Investment, Daewoo Securities |

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| | | | | | | | | | |
|--------------|-----------------|---------|---------------|------------|--------------|---|---------------|-------------|---|
| SK Telecom | Corporate bonds | Public | May. 14, 2014 | 53,909 | 4.730 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | May. 14, 2029 | Outstanding | Shinhan Investment, Daewoo Securities |
| SK Telecom | Corporate bonds | Public | May. 14, 2014 | 53,885 | 4.720 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | May. 14, 2029 | Outstanding | Shinhan Investment, Daewoo Securities |
| SK Telecom | Corporate bonds | Public | Oct. 28, 2014 | 160,000 | 2.526 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Oct. 28, 2019 | Outstanding | Shinhan Investment, Korea Investment & Securities |
| SK Telecom | Corporate bonds | Public | Oct. 28, 2014 | 150,000 | 2.658 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Oct. 28, 2021 | Outstanding | Shinhan Investment, Korea Investment & Securities |
| SK Telecom | Corporate bonds | Public | Oct. 28, 2014 | 190,000 | 2.818 | AAA(Korea Investors Service, Inc., Korea Ratings, Nice) | Oct. 28, 2024 | Outstanding | Shinhan Investment, Korea Investment & Securities |
| SK Telecom | Corporate bonds | Private | Mar. 7, 2013 | 329,760 | Libor+ 0.88% | A3/A-/A- (Moody s, S&P, Fitch) | Mar. 7, 2020 | Outstanding | DBS |
| Total | | | | 19,705,741 | | | | | |

Table of Contents**[SK Broadband]**

(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Amount issued | Interest rate | Credit rating | Maturity date | Paid / Outstanding | Underwriter |
|--------------|-----------------|------------|---------------|---------------|---------------|--|---------------|--------------------|-------------|
| | | | | | | (Rating entity) | | | |
| SK Broadband | CP | Private | Jan. 6, 2012 | 100,000 | 3.670 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Mar. 29, 2012 | Paid | |
| SK Broadband | CP | Private | Apr. 16, 2012 | 50,000 | 3.500 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Jun. 29, 2012 | Paid | |
| SK Broadband | CP | Private | Feb. 21, 2013 | 20,000 | 2.790 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Mar. 8, 2013 | Paid | |
| SK Broadband | CP | Private | Feb. 21, 2013 | 73,000 | 2.790 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Mar. 25, 2013 | Paid | |
| SK Broadband | CP | Private | Feb. 21, 2013 | 120,000 | 2.790 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | May. 22, 2013 | Paid | |
| SK Broadband | CP | Private | May. 21, 2013 | 60,000 | 2.690 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Aug. 20, 2013 | Paid | |
| SK Broadband | CP | Private | Aug. 19, 2013 | 30,000 | 2.660 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Dec. 17, 2013 | Paid | |
| SK Broadband | CP | Private | Sep. 12, 2013 | 50,000 | 2.700 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Dec. 3, 2013 | Paid | |
| SK Broadband | CP | Private | Jan. 15, 2014 | 20,000 | 2.630 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Jan. 24, 2014 | Paid | |
| SK Broadband | CP | Private | Jan. 15, 2014 | 20,000 | 2.740 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 16, 2014 | Paid | |

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| | | | | | | | | |
|-----------------|----|---------|------------------|--------|-------|--|------------------|-------------|
| SK Broadband | CP | Private | Jan. 16, 2014 | 20,000 | 2.740 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 16, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 4, 2014 | 30,000 | 2.700 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 10, 2014 | 40,000 | 2.700 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 11, 2014 | 40,000 | 2.700 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 12, 2014 | 90,000 | 2.710 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 14, 2014 | 50,000 | 2.700 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Mar. 20, 2014 | 40,000 | 2.670 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 3, 2014 | Paid |
| SK Broadband | CP | Private | Apr. 15, 2014 | 40,000 | 2.710 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Jul. 15, 2014 | Paid |
| SK Broadband | CP | Private | Apr. 15, 2014 | 30,000 | 2.740 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Sep. 30, 2014 | Paid |
| SK Broadband | CP | Private | Jul. 14, 2014 | 40,000 | 2.660 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Oct. 14, 2014 | Paid |
| SK Broadband | CP | Private | Aug. 29, 2014 | 30,000 | 2.380 | A1(Korea Ratings, Korea Investors Service, Inc., NICE) | Nov. 18, 2014 | Paid |
| SK Broadband | CP | Private | Oct. 13, 2014 | 40,000 | 2.290 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Feb. 10, 2015 | Outstanding |

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Amount issued | Interest rate | Credit rating | Maturity date | Paid / Outstanding | Underwriter |
|--------------|-----------------|------------|---------------|------------------|---------------|---|---------------|--------------------|---|
| | | | | | | (Rating entity) | | | |
| SK Broadband | CP | Private | Nov. 17, 2014 | 31,000 | 2.160 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Apr. 17, 2015 | Outstanding | |
| SK Broadband | Corporate bonds | Public | Jan. 19, 2012 | 110,000 | 4.090 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Jan. 19, 2015 | Outstanding | Samsung Securities |
| SK Broadband | Corporate bonds | Public | Jan. 19, 2012 | 110,000 | 4.140 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Jul. 19, 2015 | Outstanding | Samsung Securities |
| SK Broadband | Corporate bonds | Public | Jan. 19, 2012 | 100,000 | 4.280 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Jan. 19, 2017 | Outstanding | Samsung Securities |
| SK Broadband | Corporate bonds | Public | Oct. 12, 2012 | 130,000 | 3.140 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Oct. 12, 2015 | Outstanding | KB Investment & Securities |
| SK Broadband | Corporate bonds | Public | Oct. 12, 2012 | 120,000 | 3.270 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Oct. 12, 2017 | Outstanding | KB Investment & Securities |
| SK Broadband | Corporate bonds | Public | Oct. 29, 2013 | 329,760 | 2.875 | BBB+(S&P, Fitch) | Oct. 29, 2018 | Outstanding | Barclays, HSBC, Deutsche Bank |
| SK Broadband | Corporate bonds | Public | Apr. 2, 2014 | 80,000 | 3.054 | AA-(Korea Investors Service, Inc., NICE) | Oct. 2, 2016 | Outstanding | KB Investment & Securities, Woori Investment & Securities, Daishin Securities |
| SK Broadband | Corporate bonds | Public | Apr. 2, 2014 | 210,000 | 3.488 | AA-(Korea Investors Service, Inc., NICE) | Apr. 2, 2019 | Outstanding | KB Investment & Securities, Woori Investment & Securities, Daishin Securities |
| SK Broadband | Corporate bonds | Public | Sep. 29, 2014 | 130,000 | 2.762 | AA-(Korea Ratings, Korea Investors Service, Inc., NICE) | Sep. 29, 2019 | Outstanding | Korea Investment & Securities, Shinhan Investment |
| Total | | | | 2,383,760 | | | | | |

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[SK Telink]

(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Amount issued | Interest rate | Credit rating | Maturity date | Paid / Outstanding | Underwriter |
|-----------|-----------------------------|------------|---------------|---------------|---------------|--|---------------|--------------------|--------------------|
| | | | | | | (Rating entity) | | | |
| SK Telink | CP | Private | May. 26, 2014 | 5,000 | 2.920 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Aug. 25, 2014 | Paid | BS Securities |
| SK Telink | CP | Private | May. 28, 2014 | 5,000 | 2.920 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Aug. 27, 2014 | Paid | Dongbu Securities |
| SK Telink | CP | Private | May. 28, 2014 | 5,000 | 2.920 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Aug. 27, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Feb. 27, 2014 | 10,000 | 2.920 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | May. 26, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Apr. 29, 2014 | 10,000 | 2.880 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Jul. 28, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | May. 26, 2014 | 10,000 | 2.920 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Aug. 25, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Jun. 26, 2014 | 10,000 | 2.880 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Sep. 25, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Jul. 28, 2014 | 10,000 | 2.690 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Oct. 27, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Aug. 22, 2014 | 10,000 | 2.550 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Nov. 21, 2014 | Paid | Hyundai Securities |
| SK Telink | Electronic short-term bonds | Private | Aug. 22, 2014 | 10,000 | 2.570 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Nov. 21, 2014 | Paid | Dongbu Securities |
| SK Telink | Electronic short-term bonds | Private | Aug. 22, 2014 | 5,000 | 2.570 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Nov. 21, 2014 | Paid | BS Securities |
| SK Telink | Electronic short-term bonds | Private | Oct. 29, 2014 | 20,000 | 2.350 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Jan. 28, 2015 | Outstanding | BS Securities |
| SK Telink | Electronic short-term bonds | Private | Oct. 29, 2014 | 5,000 | 2.350 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Jan. 28, 2015 | Outstanding | Hanyang Securities |
| SK Telink | | Private | | 10,000 | 2.360 | | | Outstanding | BS Securities |

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| | | | | | | | | | | |
|--------------|-----------------------------|---------|---------------|---------|-------|--|--|---------------|------|--------------------|
| | Electronic short-term bonds | | Nov. 20, 2014 | | | | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Feb. 17, 2015 | | |
| SK Telink | Electronic short-term bonds | Private | Nov. 20, 2014 | 10,000 | 2.320 | | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | Dec. 29, 2014 | Paid | Hanyang Securities |
| Total | | | | 135,000 | | | | | | |

[PS&Marketing]

(As of December 31, 2014)

(Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Amount issued | Interest rate | Credit rating | Maturity date | Paid / Outstanding | Underwriter |
|--------------|-----------------|------------|---------------|---------------|---------------|--|---------------|--------------------|---------------|
| | | | | | | (Rating entity) | | | |
| PS&Marketing | Corporate bonds | Private | May. 29, 2014 | 10,000 | 3.120 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | May. 29, 2015 | Outstanding | SK Securities |
| PS&Marketing | Corporate bonds | Private | May. 29, 2014 | 10,000 | 3.238 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | May. 29, 2016 | Outstanding | SK Securities |
| PS&Marketing | Corporate bonds | Private | May. 29, 2014 | 20,000 | 3.480 | A2+ (Korea Ratings, Korea Investors Service, Inc., NICE) | May. 29, 2017 | Outstanding | SK Securities |
| Total | | | | 40,000 | | | | | |

Table of Contents**[Iriver]**

(As of December 31, 2014) (Unit: in millions of Won and percentages)

| Issuer | Securities type | Offer type | Date issued | Amount issued | Interest rate | Credit rating (Rating entity) | Maturity date | Paid / Outstanding | Underwriter |
|--------------|------------------|------------|---------------|---------------|---------------|-------------------------------|---------------|--------------------|-------------|
| Iriver | Corporate bonds* | Private | Dec. 23, 2014 | 5,000 | 1.000 | | Dec. 23, 2019 | Outstanding | |
| Total | | | | 5,000 | | | | | |

* Convertible bonds issued to SK Telecom

(2) Outstanding Balance of Commercial Paper
[SK Telecom]

(As of December 31, 2014) (Unit: in millions of Won)

| Remaining maturity | Publicly offered | Privately offered | Total | Over 180 days | | | | | Total | |
|---------------------|------------------|-------------------|---------|-----------------|--|--|---|--------------------------|-------|---------------------------------------|
| | | | | 10 days or less | Over 10 days but not more than 30 days | Over 30 days but not more than 90 days | Over 90 days but not more than 180 days | but not more than 1 year | | Over 1 year but not more than 2 years |
| Outstanding balance | | | 100,000 | | | | | | | 100,000 |
| Total | | | 100,000 | | | | | | | 100,000 |

[SK Broadband]

(As of December 31, 2014) (Unit: in millions of Won)

| Remaining maturity | Publicly offered | Privately offered | Total | Over 180 days | | | | | Total | |
|---------------------|------------------|-------------------|-------|-----------------|--|--|---|--------------------------|-------|---------------------------------------|
| | | | | 10 days or less | Over 10 days but not more than 30 days | Over 30 days but not more than 90 days | Over 90 days but not more than 180 days | but not more than 1 year | | Over 1 year but not more than 2 years |
| Outstanding balance | | | | | | | | | | |
| Total | | | | | | | | | | |

| | | | | |
|---------------------|-------------------|---------------|---------------|---------------|
| Outstanding balance | Privately offered | 40,000 | 31,000 | 71,000 |
| | Total | 40,000 | 31,000 | 71,000 |

[SK Telink, PS&Marketing]

None.

(3) Outstanding Balance of Electronic Short-Term Bonds
[SK Telink]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | Publicly offered | 10 days or less | Over 10 days but not more than 30 days | Over 30 days but not more than 90 days | Over 90 days but not more than 180 days | Over 180 days but not more than 1 year | Total | Maximum amount issuable | Remaining amount issuable |
|---------------------|-------------------|-----------------|--|--|---|--|---------------|-------------------------|---------------------------|
| | | | | | | | | | |
| Outstanding balance | Privately offered | | 25,000 | 10,000 | | | 35,000 | 100,000 | 65,000 |
| | Total | | 25,000 | 10,000 | | | 35,000 | 100,000 | 65,000 |

[SK Telecom, SK Broadband, PS&Marketing]

None.

Table of Contents**(4) Outstanding Balance of Corporate Bonds
[SK Telecom]**

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | | 1 year or less | Over 1 year but not more than 2 years | Over 2 year but not more than 3 years | Over 3 year but not more than 4 years | Over 4 year but not more than 5 years | Over 5 year but not more than 10 years | Over 10 years | Total |
|--------------------|-------------------|-------------------|---|---|---|---|--|------------------|-----------|
| | | | more than 2 years | more than 3 years | more than 4 years | more than 5 years | more than 10 years | | |
| Outstanding | | | | | | | | | |
| balance | Publicly offered | 200,000 | 580,000 | 603,156 | 969,440 | 380,000 | 1,050,000 | 770,045 | 4,552,641 |
| | Privately offered | | | | | | 329,760 | | 329,760 |
| | Total | 200,000 | 580,000 | 603,156 | 969,440 | 380,000 | 1,379,760 | 770,045 | 4,882,401 |

[SK Broadband]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | | 1 year or less | Over 1 year but not more than 2 years | Over 2 year but not more than 3 years | Over 3 year but not more than 4 years | Over 4 year but not more than 5 years | Over 5 year but not more than 10 years | Over 10 years | Total |
|--------------------|-------------------|-------------------|---|---|---|---|--|------------------|-----------|
| | | | more than 2 years | more than 3 years | more than 4 years | more than 5 years | more than 10 years | | |
| Outstanding | | | | | | | | | |
| balance | Publicly offered | 350,000 | 80,000 | 220,000 | 329,760 | 340,000 | | | 1,319,760 |
| | Privately offered | | | | | | | | |
| | Total | 350,000 | 80,000 | 220,000 | 329,760 | 340,000 | | | 1,319,760 |

[SK Telink]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | | 1 year or less | Over 1 year but not more than 2 years | Over 2 year but not more than 3 years | Over 3 year but not more than 4 years | Over 4 year but not more than 5 years | Over 5 year but not more than 10 years | Over 10 years | Total |
|--------------------|-------------------|-------------------|---|---|---|---|--|------------------|--------|
| | | | more than 2 years | more than 3 years | more than 4 years | more than 5 years | more than 10 years | | |
| Outstanding | | | | | | | | | |
| balance | Publicly offered | 10,000 | | | | | | | 10,000 |
| | Privately offered | | | | | | | | |
| | Total | 10,000 | | | | | | | 10,000 |

[PS&Marketing]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | | 1 year or less | Over | Over | Over | Over | 10 years | Over 10 years | Total |
|---------------------|-------------------|-------------------|---|---|---|---|----------|------------------|--------|
| | | | 1 year but not more than 2 years | 2 year but not more than 3 years | 3 year but not more than 4 years | 4 year but not more than 5 years | | | |
| Outstanding balance | Publicly offered | | | | | | | | |
| | Privately offered | 10,000 | 10,000 | 20,000 | | | | | 40,000 |
| | Total | 10,000 | 10,000 | 20,000 | | | | | 40,000 |

[Iriver]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | | 1 year or less | Over | Over | Over | Over | 10 years | Over 10 years | Total |
|---------------------|-------------------|-------------------|---|---|---|---|----------|------------------|-------|
| | | | 1 year but not more than 2 years | 2 year but not more than 3 years | 3 year but not more than 4 years | 4 year but not more than 5 years | | | |
| Outstanding balance | Publicly offered | | | | | | | | |
| | Privately offered | | | | | 5,000 | | | 5,000 |
| | Total | | | | | 5,000 | | | 5,000 |

Table of Contents(5) Outstanding Balance of Hybrid Securities
[SK Telecom]

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | Publicly offered | 1 year or less | Over 5 years | Over 10 years | Over 15 years | Over 20 years | Over 30 years | Over 30 years | Total |
|---------------------|-------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|------------------|---------|
| | | | | | | | | | |
| Outstanding balance | Privately offered | | | | | | | 400,000 | 400,000 |
| Total | | | | | | | | 400,000 | 400,000 |

(6) Outstanding Balance of Contingent Convertible Bonds

(As of December 31, 2014)

(Unit: in millions of Won)

| Remaining maturity | Publicly offered | 1 year or less | Over 2 years | Over 3 years | Over 4 years | Over 5 years | Over 10 years | Over 20 years | Over 30 years | Over 30 years | Total |
|---------------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|-------|
| | | | | | | | | | | | |
| Outstanding balance | Privately offered | | | | | | | | | | |
| Total | | | | | | | | | | | |

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

| Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| KPMG Samjong Accounting Corp. | KPMG Samjong Accounting Corp. | KPMG Samjong Accounting Corp. |

2. Audit Opinion (Consolidated)

| Period | Auditor s opinion | Issues noted |
|------------------------------|--------------------------|---------------------|
| Year ended December 31, 2014 | Unqualified | N/A |
| Year ended December 31, 2013 | Unqualified | N/A |
| Year ended December 31, 2012 | Unqualified | N/A |

3. Auditor (Separate)

| Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| KPMG Samjong Accounting Corp. | KPMG Samjong Accounting Corp. | KPMG Samjong Accounting Corp. |

4. Audit Opinion (Separate)

| Period | Auditor s opinion | Issues noted |
|------------------------------|--------------------------|---------------------|
| Year ended December 31, 2014 | Unqualified | N/A |
| Year ended December 31, 2013 | Unqualified | N/A |
| Year ended December 31, 2012 | Unqualified | N/A |

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

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

| Fiscal Year | Auditors | Contents | Fee | Total number of hours accumulated for the fiscal year |
|--------------------|-----------------|-----------------|------------|--|
|--------------------|-----------------|-----------------|------------|--|

| | | | | |
|---------------------------------|----------------------------------|---|-----------|--------|
| Year ended December 31, 2014 | KPMG Samjong Accounting Corp. | Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | 1,280,000 | 14,019 |
| Year ended December 31, 2013 | 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 | 1,250,000 | 17,796 |
| Year ended December 31, 2012 | 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 | 1,220,000 | 19,583 |

Table of Contents**B. Non-Audit Services Contract with External Auditors**

(Unit: in millions of Won)

| Period | Contract date | Service provided | Service duration | Fee |
|------------------------------|----------------------|---------------------------------------|---------------------------|------------|
| Year ended December 31, 2014 | March 18, 2014 | Due diligence of assets | March 18-April 2, 2014 | 50 |
| | March 28, 2014 | Tax advice Review revised tax laws | May 28-September 23, 2014 | 42 |
| Year ended December 31, 2013 | May 28, 2014 | | June 12-July 14, 2014 | 22 |
| Year ended December 31, 2013 | N/A | | | |
| Year ended December 31, 2012 | N/A | | | |

6. Change of Independent Auditors

Starting from 2012, the Company changed its independent auditors to KPMG Samjong Accounting Corp. from Deloitte Anjin LLC due to the expiration of the audit contract with Deloitte Anjin LLC.

Table of Contents**V. MANAGEMENT'S DISCUSSION AND ANALYSIS****1. Forward-Looking Statements**

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

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

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

2. Overview

In the midst of an industry environment defined by fast-paced changes centered around LTE network-based data in the wireless telecommunications industry, the Company has strengthened the competitiveness of its telecommunications business and pursued a shift in the competitive paradigm by launching innovative products and services. As part of this effort, the Company has launched new services such as T Phone, Unlimited Membership, and T Kids Phone to meet the sophisticated needs of customers and enhance customer value and solidified its leadership in LTE technology by commercializing its tri-band LTE-A service.

The Company has also achieved visible success in the three growth areas of B2B solutions, IP TV and healthcare. The Company's B2B solutions business achieved sizeable growth and the Company gained growth momentum through an expansion of its IPTV subscriber base as well as strengthened the foundation of its healthcare business. In 2014, the Company established the SK Telecom Healthcare R&D Center in Shenzhen, China and acquired Neos Networks and Iriver to create further growth opportunities through convergence and overseas expansion.

The Company's operating revenue, on a consolidated basis, was 17,163.8 billion for the year ended December 31, 2014, a 3.4% increase from 2013 due to an increase in the number of LTE subscribers and an increase in the number of LTE subscribers that subscribe to more expensive fixed-rate plans that feature a higher data transmission allowance. The Company's operating income, on a consolidated basis, was 1,825.1 billion for the year ended December 31, 2014, a 9.2% decrease from 2013 due to heightened competition during the first half. For the year ended December 31, 2014, the Company's EBITDA (as further explained below) and profit for the year were 4,716.7 billion and 1,799.3 billion, respectively.

In 2014, the Company's capital expenditures, on a separate basis, were 2.1 trillion, which is in line with the capital expenditure budget set at the beginning of the year. The Company expects that the capital expenditure amount in the mid- to long-term future will decrease and stabilize due to better technology and its efforts to invest more efficiently.

Cash dividends for 2014 were 9,400 per common share, which include interim dividends of 1,000 per common share paid during the year.

Table of Contents**3. Analysis of Consolidated Financial Position**

(Unit: in billions of Won, except percentages)

| | As of December 31, 2014 | As of December 31, 2013 | Change from 2013 to 2014 | Percentage Change from 2013 to 2014 |
|---|----------------------------|----------------------------|--------------------------------|--|
| Total Assets | 27,941 | 26,577 | 1,364 | 5.1% |
| Current Assets | 5,083 | 5,123 | (40) | -0.8% |
| Cash and Marketable Securities ⁽¹⁾ | 1,298 | 1,765 | (467) | -26.5% |
| Non-Current Assets | 22,858 | 21,453 | 1,405 | 6.5% |
| Property and Equipment and Investment Property | 10,583 | 10,212 | 371 | 3.6% |
| Intangible Assets and Goodwill | 4,402 | 4,484 | (82) | -1.8% |
| Long-term Financial Instruments, Long-term Investment Securities and Investment in Associates | 7,255 | 6,302 | 953 | 15.1% |
| Total Liabilities | 12,693 | 12,410 | 283 | 2.3% |
| Current Liabilities | 5,420 | 6,069 | (649) | -10.7% |
| Short-term Borrowings | 367 | 260 | 107 | 41.2% |
| Current Portion of Long-term Debt | 784 | 1,269 | (485) | -38.2% |
| Non-Current Liabilities | 7,273 | 6,341 | 932 | 14.7% |
| Debentures and Long-term Borrowings, Excluding Current Portion | 5,799 | 5,010 | 789 | 15.7% |
| Total Equity | 15,248 | 14,167 | 1,081 | 7.6% |
| Interest-bearing Financial Debt ⁽²⁾ | 6,792 | 6,356 | 436 | 6.9% |
| Debt-to-Equity Ratio ⁽³⁾ | 44.5% | 44.9% | -0.4%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, 2014, SK Telecom's assets comprised 81% of the Company's assets, on a consolidated basis.

The Company's current assets as of December 31, 2014 decreased 0.8% from the end of the previous year, primarily due to a decrease in cash flow from SK Telecom and various subsidiaries, which was partially offset by an increase in accounts receivable and inventories due to the acquisition of the retail distribution business of SK Networks by PS&Marketing. Non-current assets as of December 31, 2014 increased 6.5% from the end of the previous year, primarily due to the Company's investments in its LTE network and an increase in the value of SK Hynix shares.

B. Liabilities

As of December 31, 2014, SK Telecom's liabilities comprised 72% of the Company's liabilities, on a consolidated basis.

The Company's current liabilities as of December 31, 2014 decreased 10.7% from the end of the previous year primarily due to the redemption of convertible notes and decreases in short-term borrowings of SK Telecom. Non-current liabilities as of December 31, 2014 increased 14.7% from the end of the previous year mainly due to the debentures issued by SK Telecom and its subsidiaries.

Table of Contents**4. Analysis of Consolidated Financial Information**

(Unit: in billions of Won, except percentages)

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 | Change from 2013 to 2014 | Percentage Change from 2013 to 2014 |
|---|--|--|--------------------------------|--|
| Operating Revenue | 17,164 | 16,602 | 562 | 3.4% |
| Operating Expense | 15,339 | 14,591 | 748 | 5.1% |
| Operating Income | 1,825 | 2,011 | (186) | -9.2% |
| Operating Margin | 10.6% | 12.1% | -1.5%p | |
| Net Other Income (Loss) | 429 | (184) | 613 | 333.0% |
| Profit Before Income Tax | 2,254 | 1,827 | 427 | 23.4% |
| Profit for the Year | 1,799 | 1,610 | 189 | 11.7% |
| Net Margin | 10.5% | 9.7% | 0.8%p | |
| Profit for the Year Attributable to Owners of the Parent Company | 1,801 | 1,639 | 162 | 9.9% |
| Profit for the Year Attributable to Non-controlling Interests | (2) | (29) | 27 | 93.1% |
| EBITDA(1) | 4,717 | 4,831 | (114) | -2.4% |
| EBITDA Margin | 27.5% | 29.1% | -1.6%p | |

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

A. Operating Revenue

The Company's operating revenue for the year ended December 31, 2014 increased 3.4% from the previous year, primarily due to an expansion of LTE services, growth in new business areas, the acquisition of SK Network's retail distribution business by PS&Marketing and growth of SK Telecom's subsidiaries.

B. Operating Profit

The Company's operating income for the year ended December 31, 2014 decreased 9.2% from the previous year, primarily due to an increase marketing expenses attributable to heightened competition to acquire LTE subscribers.

C. Operating Expense

(Unit: in billions of Won, except percentages)

| | For the year ended December 31, | For the year ended December 31, | Change from 2013 to 2014 | Percentage Change from 2013 to 2014 |
|--|--|--|--------------------------------|--|
|--|--|--|--------------------------------|--|

| | 2014 | 2013 | | |
|--|--------|--------|------|--------|
| Labor Cost | 1,660 | 1,561 | 99 | 6.3% |
| Commissions Paid | 5,693 | 5,499 | 194 | 3.5% |
| Advertising | 416 | 394 | 22 | 5.6% |
| Depreciation and Amortization ⁽¹⁾ | 2,892 | 2,820 | 72 | 2.6% |
| Network Interconnection | 997 | 1,044 | (46) | -4.5% |
| Leased Line Fees | 211 | 242 | (31) | -12.8% |
| Frequency License Fees | 188 | 207 | (18) | -8.7% |
| Cost of Products that have been Resold | 1,680 | 1,300 | 380 | 29.2% |
| Others | 1,602 | 1,524 | 78 | 5.1% |
| Total Operating Expense | 15,339 | 14,591 | 748 | 5.1% |

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

Labor cost for the year ended December 31, 2014 increased 6.3% from the previous year primarily due to an increase in the number of employees resulting from the new business acquisitions. Commissions paid for the year ended December 31, 2014 increased 3.5% from the previous year primarily due to an increase in marketing expenses resulting from LTE market competition. Depreciation and amortization expenses increased 2.6% from the previous year mainly due to an increase in capital expenditures by the Company for its LTE network and an increase in amortization expenses for its frequency licenses.

Table of Contents**5. Analysis of SK Telecom's Separate Operating Information****A. Number of Subscribers**

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 | Change from 2013 to 2014 | Percentage Change from 2013 to 2014 |
|---------------------------------|--|--|--------------------------------|--|
| Subscribers (thousands) | 28,613 | 27,352 | 1,261 | 4.6% |
| Net Increase | 2,527 | 391 | 2,136 | 546% |
| Activations | 7,835 | 7,755 | 80 | 1.0% |
| Deactivations | 5,308 | 7,364 | (2,056) | -27.9% |
| Monthly Churn Rate (%) | 1.96% | 2.3% | -0.34%p | |
| Average Subscribers (thousands) | 27,981 | 27,121 | 860 | 3.2% |
| Smartphone Subscribers | 19,495 | 18,286 | 1,209 | 6.6% |
| LTE Subscribers | 16,737 | 13,487 | 3,250 | 24.1% |

The number of LTE subscribers as of December 31, 2014 was 16.74 million. The growth in LTE subscribers is expected to be the basis for long-term future growth. The Company expects LTE subscribers as a proportion of all SK Telecom subscribers will exceed 65% by the end of 2015. The number of smartphone subscribers as of December 31, 2014 was 19.50 million and constituted 68.1% of all SK Telecom subscribers.

B. Average Monthly Revenue per Subscriber

| | For the year ended December 31, 2013 | For the year ended December 31, 2012 | Change from 2012 to 2013 | Percentage Change from 2012 to 2013 |
|--|--|--|--------------------------------|--|
| Billing Average Monthly Revenue per Subscriber () | 36,100 | 34,551 | 1,549 | 4.5% |

* The billing average monthly revenue per subscriber (ARPU) is derived by dividing the sum of total SK Telecom and SK Planet 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 2014, the increase in LTE subscribers led to an increase in average revenue per subscriber to 36,100, a 4.5% increase compared to the previous year.

6. Guidance for Fiscal Year 2015

The Company announced the following guidance for fiscal year 2015 during its earnings release conference call on January 29, 2015.

1. Operating revenue (consolidated): 17.9 trillion
2. SK Telecom's capital expenditures (separate): 2.0 trillion
3. Cash dividends: The Company will consider buying back shares or increasing the interim dividend and plans to decide on the level of cash dividends in a flexible manner, taking into consideration various factors such as the Company's investment plans and cash flow.

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7. Liquidity

As of December 31, 2014, the Company's debt-to-equity ratio (as calculated based on the interest-bearing financial debt) was 44.5% compared to 44.8% as of December 31, 2013. The net debt-to-equity ratio (as calculated based on the interest-bearing financial debt minus cash and marketable securities) was 36.0% and 32.4% at the end of 2014 and 2013, respectively. Interest coverage ratio (EBITDA / interest expense) was 14.6 and 15.3 at the end of 2014 and 2013, respectively. The Company continues to have sufficient liquidity.

8. Financing

As of December 31, 2014, the Company's aggregate interest bearing debt amounted to 6,792 billion, comprising long-term and short-term borrowings, debentures and current portion of long-term borrowings, which increased by 6.9% from 6,356 billion as of December 31, 2013. The decrease during the previous fiscal year was primarily due to holders exercising their conversion rights with respect to an aggregate principal amount of US\$326,023,000 of convertible notes issued by the Company on April 7, 2009. The Company delivered 1,241,337 treasury shares in respect of US\$170,223,000 of the exercised aggregate principal amount and delivered cash in respect of the remainder due to the limit on foreign ownership.

9. Investments

The Company did not make any significant investments in 2014.

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

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

(As of March 20, 2015)

| Total number of persons | Inside directors | Independent directors |
|-------------------------|-----------------------------|--|
| 6 | Dong Hyun Jang, Dae Sik Cho | Jae Hyeon Ahn, Dae Shick Oh, Jae Hoon Lee, Jay Young Chung |

At the 31th General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was elected as an inside director.

B. Significant Activities of the Board of Directors

| Meeting | Date | Agenda | Approval |
|------------------------------------|-------------------|---|--|
| | | Financial statements as of and for the year ended December 31, 2013 | Approved as proposed |
| 361st (the 1st meeting of 2014) | February 6, 2014 | Annual business report as of and for the year ended December 31, 2013 Report of internal accounting management | Approved as proposed |
| 362nd (the 2nd meeting of 2014) | February 20, 2014 | Report for the period after the fourth quarter of 2013 2014 transaction of goods, services and assets with SK Planet Co., Ltd. | Approved as proposed Approved as proposed |

Rights offering by PS&Marketing Co., Ltd.

Approved as proposed

Convocation of the 30th General Meeting of Shareholders

Evaluation results of internal accounting management system

| | | | |
|------------------------------------|----------------|---|----------------------|
| 363rd (the 3rd meeting of 2014) | March 21, 2014 | Election of the chief executive officer | Approved as proposed |
| | | Election of the chairman of the Board of Directors | Approved as proposed |
| | | Election of committee members | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| | | Provision of funds for management of the 2014 SUPEX meetings | Approved as proposed |
| | | Transaction of goods relating to B Box with SK Broadband | Approved as proposed |
| 364th (the 4th meeting of 2014) | April 24, 2014 | Bond offering | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| 365th (the 5th meeting of | June 24, 2014 | Report for the period after the first quarter of 2014 Financial transactions with affiliated company (SK Securities) | Approved as proposed |

2014)

Payment of interim dividends

Approved as proposed

366th

(the 6th
meeting of
2014)

July 24, 2014

Financial results for the first six months of 2014

Report for the period after the second quarter of 2014

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| Meeting | Date | Agenda | Approval |
|-------------------------------------|--------------------|---|----------------------|
| | | Transaction of services with SK (China) Management Co., Ltd. | Approved as proposed |
| 367th (the 7th meeting of 2014) | September 24, 2014 | Bond offering | Approved as proposed |
| | | Transactions of corporate bonds with affiliated company (SK Securities) | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| 368th (the 8th meeting of 2014) | October 23, 2014 | Investment to provide financial support to Tianlong | Approved as proposed |
| | | Report for the period after the third quarter of 2014 | |
| | | Transaction plan with SK Forest Co., Ltd. for 2015 | Approved as proposed |
| 369th (the 9th meeting of 2014) | November 27, 2014 | Lease of SUPEX Center | Approved as proposed |
| | | Customer center management service contract for 2015 | Approved as proposed |
| | | Agreement of joint management of business jet | Approved as proposed |
| | | Evaluation results of compliance and its effectiveness | |
| 370th (the 10th meeting of 2014) | December 19, 2014 | Management Plan for 2015 | Approved as proposed |
| | | Investment to promote growth of Iriver | Approved as proposed |

Transaction of goods, services and assets with SK Planet Co., Ltd. in 2015

Approved as proposed

Plan of resale of fixed-line services of SK Broadband in 2015

Approved as proposed

Base station maintenance contract for 2015

Approved as proposed

Contract renewal for use of the SK brand

Approved as proposed

Financial transactions with affiliated company (SK Securities)

Approved as proposed

Transactions of corporate bonds with affiliated company (SK Securities)

Approved as proposed

| | | | |
|--|------------------|---|----------------------|
| 371st (the 1st meeting of 2015) | February 5, 2015 | Financial statements as of and for the year ended December 31, 2014 | Approved as proposed |
| | | Annual business report as of and for the year ended December 31, 2014 | Approved as proposed |
| | | Bond offering | Approved as proposed |
| | | Lease contract of Namsan office building with SK Broadband | Approved as proposed |
| | | Report of internal accounting management | |

| Report for the period after the fourth quarter of 2014 | | |
|--|-------------------|--|
| 372nd | | Convocation of the 31st General Meeting of Shareholders |
| (the 2nd meeting of 2015) | February 24, 2015 | |
| | | Report of internal accounting management |
| | | Election of the representative director |
| | | Election of the chairman of the Board of Directors |
| | | Election of committee members |
| 373rd | | Financial transactions with affiliated company (SK Securities) |
| (the 3rd meeting of 2014) | March 20, 2015 | |
| | | Comprehensive exchange of shares with SK Broadband |
| | | Disposal of treasury shares |

- * The line items that do not show approval are for reporting purposes only.
- * The terms of Rak Young Uhm and Jae Ho Cho ended on March 21, 2014.

C. Committees within Board of Directors

(1) Committee structure (as of March 20, 2015)

(a) Compensation Review Committee

| Total number of persons | Members | | Task |
|----------------------------|--|-----------------------|--------------------------------|
| | Inside Directors | Independent Directors | |
| 3 | Jay Young Chung, Lee, Hyun Chin Lim | Jae Hoon | Review CEO remuneration system |

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

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(b) Capex Review Committee

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

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

(c) Corporate Citizenship Committee

| Total number of persons | Inside Directors | Members | | Task |
|----------------------------|------------------|---|--|--|
| | | Independent Directors | | |
| 4 | | Jae Hyeon Ahn, Jay Young Chung, Dae Shick Oh | | Review guidelines on corporate social responsibility (CSR) programs, etc. |

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

(d) Independent Director Nomination Committee

| Total number of persons | Members | | Task |
|----------------------------|------------------|----------------------------|--|
| | Inside Directors | Independent Directors | |
| 3 | Dong Hyun Jang | Dae Shick Oh, Jae Hoon Lee | Nomination of independent directors |

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

(e) Audit Committee

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

etc.

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

2. Audit System

The Company's Audit Committee consists of three independent directors, Dae Shick Oh, Hyun Chin Lim, Jae Hyeon Ahn.

Major activities of the Audit Committee as of March 20, 2015 are set forth below.

| Meeting | Date | Agenda | Approval |
|-------------------------|-------------------|--|----------------------|
| The 1st meeting of 2014 | February 5, 2014 | Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee | Approved as proposed |
| | | Review of business and audit results for the second half of 2013 and business and audit plans for 2014 | |
| The 2nd meeting of 2014 | February 19, 2014 | Report of internal accounting management system | |
| | | Report on the IFRS audit of fiscal year 2013 | |
| | | Report on review of 2013 internal accounting management system | |
| | | Evaluation of internal accounting management system operation | Approved as proposed |
| | | Agenda and document review for the 30th General Meeting of Shareholders | Approved as proposed |
| | | Auditor's report for fiscal year 2013 | Approved as proposed |

IT service management contract for 2014

Approved as proposed

Service contract with SK Wyverns for 2014

Approved as proposed

Service contract with SKTCH

Approved as proposed

Construction of fixed-line and wireless networks in 2014

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| Meeting | Date | Agenda | Approval |
|-------------------------|----------------|--|----------------------|
| The 3rd meeting of 2014 | March 20, 2014 | Transactions with SK C&C Co., Ltd. in the second quarter of 2014 | Approved as proposed |
| | | Election of chairman Dae Shick Oh | Approved as proposed |
| | | Purchase of maintenance, repair and operations items from Happynarae Co., Ltd. | Approved as proposed |
| The 4th meeting of 2014 | April 23, 2014 | Construction of fixed-line and wireless network facilities for 2014 | Approved as proposed |
| | | Remuneration for outside auditor for fiscal year 2014 | Approved as proposed |
| | | Outside auditor service plan for fiscal year 2014 | Approved as proposed |
| | | Audit plan for fiscal year 2014 | Approved as proposed |
| The 5th meeting of 2014 | June 25, 2014 | Transactions with SK C&C Co., Ltd. in the third quarter of 2014 | Approved as proposed |
| | | Energy reduction business contract with SK Broadband Co., Ltd. | Approved as proposed |
| The 6th meeting of 2014 | July 23, 2014 | Construction of fixed-line and wireless network facilities for 2014 | Approved as proposed |
| | | Review of business and audit results for the first half of 2014 and business and audit plans for the second half of 2014 | |

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Report on the IFRS audit of fiscal year 2014

| | | | |
|-------------------------|--------------------|--|----------------------|
| The 7th meeting of 2014 | September 23, 2014 | Transactions with SK C&C Co., Ltd. in the fourth quarter of 2014 | Approved as proposed |
| | | Construction of fixed-line and wireless networks in 2014 | Approved as proposed |
| The 8th meeting of 2014 | November 11, 2014 | Contract for maintenance of optical fiber cables in 2015 | Approved as proposed |
| | | Leases of electricity and transmission facilities in 2015 | Approved as proposed |
| | | Service contract for fixed-line network services in 2015 | Approved as proposed |
| The 9th meeting of 2014 | December 18, 2014 | Transactions with SK C&C Co., Ltd. in the first quarter of 2015 | Approved as proposed |
| | | Service contract with SK Wyverns for 2015 | Approved as proposed |
| | | Agency contract for collection of accounts receivable in 2015 | Approved as proposed |
| The 1st meeting of 2014 | February 4, 2015 | Report of internal accounting management system | |
| | | Review of business and audit results for the second half of 2014 and business and audit plans for 2015 | |
| | | Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee | Approved as proposed |
| | | Service contract with SKTCH | Approved as proposed |

Approved as proposed

Transactions with INFOSEC Co., Ltd. in the first quarter of 2015

Approved as proposed

Engagement of Independent Auditing Firm for 2015 to 2017

Report on the IFRS audit of fiscal year 2014

Report on review of 2014 internal accounting management system

Approved as proposed

Evaluation of internal accounting management system operation

The 2nd meeting of 2014

February 23, 2015

Approved as proposed

Agenda and document review for the 31st General Meeting of Shareholders

Approved as proposed

Auditor's report for fiscal year 2014

Approved as proposed

Construction of fixed-line and wireless networks in 2015

Approved as proposed

Contract for payment of customer appreciation gifts in 2015

The 3rd meeting of 2014

March 19, 2015

Transactions with SK C&C Co., Ltd. in the second quarter of 2015

Approved as proposed

Transactions with INFOSEC Co., Ltd. in the second quarter of 2015

Approved as proposed

Approved as proposed

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

3. Shareholders Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

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

Also, neither written or electronic voting system nor minority shareholder rights is applicable.

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

(As of December 31, 2014)

(Unit: in shares and percentages)

| Name | Relationship | Type of share | Number of shares owned and ownership ratio | | | |
|-----------------------|-------------------------------|---------------|--|--------------------|-----------------------------------|--------------------|
| | | | Beginning of Period Number of shares | Ownership ratio | End of Period Number of shares | Ownership ratio |
| SK Holdings Co., Ltd. | Largest Shareholder | Common share | 20,363,452 | 25.22 | 20,363,452 | 25.22 |
| Tae Won Chey | Officer of affiliated company | Common share | 100 | 0.00 | 100 | 0.00 |
| Shin Won Chey | Officer of affiliated company | Common share | 2,000 | 0.00 | 4,000 | 0.00 |
| Sung Min Ha | Officer of affiliated company | Common share | 738 | 0.00 | 738 | 0.00 |
| Total | | Common share | 20,366,290 | 25.22 | 20,368,290 | 25.23 |

B. Overview of the Largest Shareholder

SK Holdings Co., Ltd. (SK Holdings) is a holding company in accordance with the Fair Trade Act and as of December 31, 2014, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK E&C Co., Ltd., SK Shipping Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

| Affiliates | Share Holdings | Book Value (million Won) | Industry | Description |
|-------------------------|----------------|--------------------------|---|-----------------|
| SK Innovation Co., Ltd. | 33.4% | 3,944,657 | Energy and Petrochemical | Publicly Listed |
| SK Telecom Co., Ltd. | 25.2% | 3,091,125 | Telecommunication | Publicly Listed |
| SK Networks Co., Ltd. | 39.1% | 905,691 | Trading and Energy | Publicly Listed |
| SKC Co., Ltd. | 42.3% | 254,632 | PET Film Manufacturing and Chemical Products | Publicly Listed |
| SK E&C Co., Ltd. | | | Infrastructure, Architectural Housing and Plant | |
| | 44.5% | 470,015 | Construction | Privately Held |
| SK Shipping Co., Ltd. | 83.1% | 420,568 | Ocean Freight | Privately Held |
| SK E&S Co., Ltd. | 94.1% | 1,026,307 | Gas Company Holdings and Power Generation | Privately Held |
| SK Biofarm Co., Ltd. | 100.0% | 328,702 | Biotechnology | Privately Held |
| SK Forest Co., Ltd. | 100.0% | 61,387 | Forestry and Landscaping | Privately Held |

* The above shareholdings are based on common share holdings as of December 31, 2014.

SK Holdings is a publicly listed company and is required to submit a report of its significant business activities in accordance with Article 161 of the Financial Investment Services and Capital Markets Act. Also as a holding company, SK Holdings is required to report key management activities of its subsidiaries in accordance with Article 8 of KOSPI Market Disclosure Regulation.

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The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of its total assets based on the financial statements as of December 31, 2014. SK Innovation Co., Ltd. and SK Telecom Co., Ltd. are two such subsidiaries.

2. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of December 31, 2014)

(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 | | | | Man Won Jung, SK Telecom's CEO, resigned |
| | March 11, 2011 | 18,750,490 | 23.22 | Shin Bae Kim, SK C&C's CEO, resigned |
| | April. 5, 2011 | 18,749,990 | 23.22 | Dal Sup Shim, an Independent Director, disposed 500 shares |
| | July 8, 2011 | 18,750,490 | 23.22 | Shin Won Chey, SKC's Chairman, purchased 500 shares |
| | August 5, 2011 | 18,750,990 | 23.22 | Shin Won Chey, SKC's Chairman, purchased 500 shares |
| | August 23, 2011 | 18,751,490 | 23.22 | Shin Won Chey, SKC's Chairman, purchased 500 shares |
| | December 21, 2011 | 20,366,490 | 25.22 | SK Holdings purchased 1,615,000 shares |
| | January 31, 2012 | 20,366,290 | 25.22 | Retirement of Bang Hyung Lee, a former officer of an affiliated company |
| | 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 |

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

3. Distribution of Shares**A. Shareholders with ownership of 5% or more and others**

(As of June 30, 2014)

(Unit: in shares and percentages)

| Rank | Name (title) | Number of shares | Ownership ratio | Remarks |
|-------------|---------------------|-------------------------|------------------------|----------------|
|-------------|---------------------|-------------------------|------------------------|----------------|

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| | | | | |
|--|--------------------------|------------|--------|-----------------|
| 1 | Citibank ADR | 11,237,667 | 13.92% | |
| 2 | SK Holdings | 20,363,452 | 25.22 | |
| 3 | SK Telecom | 9,809,375 | 12.15 | Treasury shares |
| 4 | National Pension Service | 5,722,692 | 7.09 | |
| Shareholdings under the Employee Stock Ownership Program | | 90,597 | 0.11 | |

B. Shareholder Distribution

(As of December 31, 2014)

(Unit: in shares and percentages)

| Classification | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------|-------------------------------|------------------|-------------------------|------------------|----------------|
| Total minority shareholders* | 24,713 | 99.73% | 32,509,480 | 40.26% | |

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

Table of Contents**4. Share Price and Trading Volume in the Last Six Months****A. Domestic Securities Market**

(Unit: in Won and shares)

| Types | | December 2014 | November 2014 | October 2014 | September 2014 | August 2014 | July 2014 |
|-----------------------------------|----------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| Common stock | Highest | 286,500 | 289,500 | 298,500 | 298,500 | 280,500 | 264,000 |
| | Lowest | 268,000 | 273,500 | 259,000 | 279,500 | 256,500 | 236,000 |
| Monthly transaction volume | | 2,928,557 | 2,473,022 | 4,872,410 | 3,359,174 | 2,711,496 | 3,399,217 |

B. Foreign Securities Market

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

| Types | | December 2014 | November 2014 | October 2014 | September 2014 | August 2014 | July 2014 |
|-----------------------------------|----------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| Depository Receipt | Highest | 28.59 | 28.91 | 30.62 | 31.75 | 30.31 | 28.31 |
| | Lowest | 27.01 | 27.64 | 27.26 | 30.34 | 27.76 | 25.54 |
| Monthly transaction volume | | 16,388,729 | 14,654,305 | 20,408,599 | 18,808,998 | 22,036,244 | 20,283,267 |

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

(As of December 31, 2014)

(Unit: in persons and millions of Won)

| Classification | Number of employees | | | | Average service year | Aggregate wage for | Average | Remarks |
|----------------|---------------------|--------------------|--------|-------|----------------------|--------------------|-----------------|---------|
| | Regular employees | Contract employees | Others | Total | | the year 2014 | wage per person | |
| Male | 3,606 | 56 | | 3,662 | 13.1 | 388,001 | 106 | |
| Female | 541 | 50 | | 591 | 11.2 | 44,351 | 75 | |
| Total | 4,147 | 106 | | 4,253 | 12.8 | 432,352 | 102 | |

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

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

(As of December 31, 2014)

(Unit: in millions of Won)

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

B. Amount Paid

(As of December 31, 2014)

(Unit: in millions of Won)

| Classification | Number of Directors | Aggregate Amount Paid | Aggregate Amount Paid Per Director |
|-------------------------|---------------------|-----------------------|------------------------------------|
| Insider Directors | 3 | 3,102 | 1,034 |
| Independent Directors* | 2 | 160 | 80 |
| Audit Committee Members | 3 | 240 | 80 |
| Total | 8 | 3,502 | |

3. Individual Compensation of Directors

(As of December 31, 2014)

(Unit: in millions of Won)

| Name | Title |
|------|-------|
|------|-------|

| | | Aggregate Amount Paid |
|---------------|---------------------------------------|----------------------------------|
| Sung Min Ha | Chief Executive Officer and President | 1,458 |
| Dong Seob Jee | Head of Strategy & Planning Office | 737 |

Table of Contents**IX. AFFILIATED COMPANIES****1. Capital Investments between Affiliated Companies**

(As of December 31, 2014)

| Investing company | Invested companies | | | | | | | | | |
|-----------------------------------|--------------------|---------------|---------------|--------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | SK Corporation | SK Innovation | SK Energy | SK Global Chemical | SK Telecom | SK Networks | SKC | SK E&C | SK Shipping | SK Securities |
| SK Holdings | | 33.4% | | | 25.2% | 39.1% | 42.3% | 44.5% | 83.1% | |
| SK Innovation | | | 100.0% | 100.0% | | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | | | | | | | |
| SK Chemicals | | | | | | 0.02% | | 28.3% | | |
| SKC | | | | | | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | 31.8% | | | | | | | | | 10.0% |
| SK E&S | | | | | | | | | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Iriver | | | | | | | | | | |
| Total affiliated companies | 31.8% | 33.4% | 100.0% | 100.0% | 25.2% | 39.2% | 42.3% | 72.7% | 83.1% | 10.0% |

Table of Contents**Invested companies**

| Investing company | Invested companies | | | | | | | Jeonnam | | |
|----------------------------|--------------------|--------|-------|--------|-----------|-----------------------|-------|-----------|----------------|----------|
| | SK E&S | SK Gas | DOPCO | CCE | YN Energy | Ko-one Energy Service | Entis | SK Telink | Busan City Gas | City Gas |
| SK Holdings | 94.1% | | | | | | | | | |
| SK Innovation | | | 41.0% | | | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | | | | | 83.5% | | |
| SK Chemicals | | 45.5% | | | | | | 50.0% | | |
| SKC | | | | | | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | 5.9% | | | | | | | | | |
| SK E&S | | | | 100.0% | 100.0% | 100.0% | | | 67.3% | 100.0% |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | 10.0% | | | | | | | | |
| Iriver | | | | | | | | | | |
| Total affiliated companies | 100.0% | 55.5% | 41.0% | 100.0% | 100.0% | 100.0% | 50.0% | 83.5% | 67.3% | 100.0% |

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| Investing company | Invested companies | | | | | | | | | | |
|---------------------------------------|------------------------|---------------------------------|----------------|---------------|----------------------|---------------|--------------------------------|-----------------------|----------------------------|--------------|---------------|
| | Gangwon City Gas | Jeonbuk Integrated Energy | M & Service | SK Wyverns | Infosed Happynara | SK Telesys | Gimcheon Energy Services | F&U Credit Info | Hanam Energy Service | | |
| SK Holdings | | | | | | | | | | | |
| SK Innovation | | | | | | 42.5% | | | | | |
| SK Energy | | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | | |
| SK Networks | | | | | | | | | | | |
| SK Telecom | | | | | 100.0% | 42.5% | | | 50.0% | | |
| SK Chemicals | | | | | | | | | | | |
| SKC | | | | | | | 50.6% | | | | |
| SK E&C | | | | | | | | | | | |
| SK Gas | | | | | | | 5.0% | | | | |
| SK C&C | | | | | | 100.0% | 5.0% | | | | |
| SK E&S | 100.0% | 100.0% | 100.0% | | | | | 80.0% | | | |
| SK Communications | | | | | | | | | | | |
| SK Broadband | | | | | | | | | | | |
| SK D&D | | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | | |
| SK Shipping | | | | | | | | | | | |
| SK Planet | | | | 100.0% | | | | | | | |
| SK Hynix | | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | | 100.0% |
| SK Seentec | | | | | | | | | | | |
| Iriver | | | | | | | | | | | |
| Total affiliated companies | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 95.0% | 50.6% | 80.0% | 50.0% | 100.0% |

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| Investing company | Invested companies | | | | | | | | | |
|-----------------------------------|--------------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|
| | SK D&D | Natruck | SK Hynix | Speed Motor | Energy | Petrochem | SK C&C | SK Planet | SKC Air | SKN service |
| SK Holdings | | | | | | | | | | |
| SK Innovation | | | | | 100.0% | | | | | |
| SK Energy | | 100.0% | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | 100.0% | | | | | | 86.5% |
| SK Telecom | | | 20.1% | | | | | 100.0% | | |
| SK Chemicals | | | | | | | | | | |
| SKC | | | | | | | | 80.0% | | |
| SK E&C | | | | | | | | | | |
| SK Gas | 43.5% | | | | | | | | | |
| SK C&C | | | | | | | | | | |
| SK E&S | | | | | | | | | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | | | | 64.5% | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | 100.0% | | | | |
| Iriver | | | | | | | | | | |
| Total affiliated companies | 43.5% | 100.0% | 20.1% | 100.0% | 100.0% | 100.0% | 64.5% | 100.0% | 80.0% | 86.5% |

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| Investing company | Invested companies | | | | | | | | | |
|---------------------------------------|--------------------|--------------------------------------|--------------|--------------|-----------------|---------------|-----------------------------------|----------------|---------------|--------------|
| | Commerce Planet | SKC Solmics Co., SK Initz Ltd. | Broadband | Bioland | PMPPS&Marketing | Healthcare | PyongTaek Wirye Energy Service | Energy Service | | |
| SK Holdings | | | | | | | | | | |
| SK Innovation | | | | | | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | 50.6% | | | 100.0% | | | |
| SK Chemicals | | 66.0% | | | | | | 44.0% | | |
| SKC | | | 40.9% | | 23.6% | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | | | | | | | | | | |
| SK E&S | | | | | | 100.0% | | 100.0% | 89.5% | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | 100.0% | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Iriver | | | | | | | | | | |
| Total affiliated companies | 100.0% | 66.0% | 40.9% | 50.6% | 23.6% | 100.0% | 100.0% | 44.0% | 100.0% | 89.5% |

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| Investing company | Invested companies | | | | | | | | | | |
|----------------------------|--------------------|--------|---------------|-----------|---------------|-------------|-------|----------|--------|---------|-----------------------|
| | Jeju FC | United | MKS Guarantee | SK Forest | SK Lubricants | SK Lighting | Bizen | SK HY EN | GYSTEC | Silicon | SK Biopharmaceuticals |
| SK Holdings | | | | 100.0% | | | | | | | 100.0% |
| SK Innovation | | | | | 100.0% | | | | | | |
| SK Energy | 100.0% | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | | |
| SK Networks | | | | | | | | | | | |
| SK Telecom | | | | | | | | | | | |
| SK Chemicals | | | | | | | | | | | |
| SKC | | | | | | 100.0% | | | | | |
| SK E&C | | | | | | | | | | | |
| SK Gas | | | | | | | | | | | |
| SK C&C | | | | | | | 99.0% | | | | |
| SK E&S | | | | | | | | | | | |
| SK Communications | | | | | | | | | | | |
| SK Broadband | | | | | | | | | | | |
| SK D&D | | | 100.0% | | | | | | | | |
| SK Lubricants | | | | | | | | | | | |
| SK Shipping | | | | | | | | | | | |
| SK Planet | | | | | | | | | | | |
| SK Hynix | | | | | | | | 100.0% | 100.0% | 100.0% | |
| Ko-one Energy Service | | | | | | | | | | | |
| SK Seentec | | | | | | | | | | | |
| Iriver | | | | | | | | | | | |
| Total affiliated companies | 100.0% | | 100.0% | 100.0% | 100.0% | 100.0% | 99.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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| Investing company | Invested companies | | | | | | | | | | |
|----------------------------|--------------------|---------------------------|-------|-------|------------------------|--------|-------------|-------------|-------------|---------|---------------------------|
| | SK Seentec | DaejeonGwangju Pure Water | | SKW | Television Media Korea | | Network O&S | Service Ace | Service Top | SK Pinx | U base Manufacturing Asia |
| SK Holdings | | | | | | | | | | | |
| SK Innovation | | | | | | | | | | | |
| SK Energy | | | | | | | | | | | |
| SK Global | | | | | | | | | | | |
| Chemical | | | | | | | | | | | |
| SK Networks | | | | | | | | | | 100.0% | |
| SK Telecom | | | | | | | 100.0% | 100.0% | 100.0% | | |
| SK Chemicals | 100.0% | | | | | | | | | | |
| SKC | | | 90.0% | | | | | | | | |
| SK E&C | | 32.0% | | 42.0% | | | | | | | |
| SK Gas | | | | | | | | | | | |
| SK C&C | | | | | | | | | | | |
| SK E&S | | | | | | | | | | | |
| SK | | | | | | | | | | | |
| Communications | | | | | | | | | | | |
| SK Broadband | | | | | | | | | | | |
| SK D&D | | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | | 100.0% |
| SK Shipping | | | | | | | | | | | |
| SK Planet | | | | | | | 51.0% | | | | |
| SK Hynix | | | | | | | | | | | |
| Ko-one Energy | | | | | | | | | | | |
| Service | | | | | | | | | | | |
| SK Seentec | | | | | | | | | | | |
| Iriver | | | | | | | | | | | |
| Total affiliated companies | 100.0% | 32.0% | 42.0% | 90.0% | 51.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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| Investing company | Invested companies | | | | | | | | | | |
|----------------------------|--------------------|-------------------------------|-----------------|----------------------|--------------------------|--------------------------|---------------|----------|--------|-----------|-------------|
| | Ulsan Aromatics | SK Continental E-Motion Korea | G.Hub Petrochem | SK Incheon Petrochem | SK Trading International | SK Boryeong LNG Terminal | Neos Networks | SK Encar | Iriver | Iriver CS | SK Advanced |
| SK Holdings | | | | | | | | | | | |
| SK Innovation | | 100.0% | | 100.0% | 100.0% | | | | | | |
| SK Energy | | | | | | | | | | | |
| SK Global Chemical | 50.0% | | | | | | | | | | |
| SK Networks | | | | | | | | | | | |
| SK Telecom | | | | | | | 66.7% | | 49.0% | | |
| SK Chemicals | | | | | | | | | | | |
| SKC | | | | | | | | | | | |
| SK E&C | | | | | | | | | | | |
| SK Gas | | | 100.0% | | | | | | | | 65.0% |
| SK C&C | | | | | | | | 50.0% | | | |
| SK E&S | | | | | | 50.0% | | | | | |
| SK Communications | | | | | | | | | | | |
| SK Broadband | | | | | | | | | | | |
| SK D&D | | | | | | | | | | | |
| SK Lubricants | | | | | | | | | | | |
| SK Shipping | | | | | | | | | | | |
| SK Planet | | | | | | | | | | | |
| SK Hynix | | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | | |
| SK Seentec | | | | | | | | | | 100.0% | |
| Total affiliated companies | 50.0% | 100.0% | 100.0% | 100.0% | 100.0% | 50.0% | 66.7% | 50.0% | 49.0% | 100.0% | 65.0% |

* Change in company names:

Ulsan Aromatics changed its name from Arochemi

Happynarae changed its name from MRO Korea

Bizen changed its name from Telsk

SK Hystec changed its name from Hystec

SK HY ENG changed its name from Hynix Engineering

Entis changed its name from SK Sci-tech

Table of Contents**X. RELATED PARTY TRANSACTIONS****1. Line of Credit Extended to the Largest Shareholder**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category | Change details | | Accrued Ending interest | Remarks |
|-----------------------|--------------|--------------------------------|----------------|-------------------|-------------------------|---------|
| | | | Beginning | Increase/Decrease | | |
| SK Wyverns | Affiliate | Long-term and short-term loans | 1,425 | 204 | 1,221 | |

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction | | Transaction items | Transaction amount |
|-----------------------|--------------|-------------------|-------------------|-------------------------------|-------------------|--------------------|
| | | | date | Base date | | |
| PS&Marketing | Affiliate | Equity investment | April 2, 2014 | As of the date of acquisition | Common shares | 100,000 |
| Iriver | Affiliate | Equity investment | December 22, 2014 | As of the date of acquisition | Common shares | 25,000 |

B. Acquisition and Sale of Securities

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction | | Transaction items | Transaction amount |
|-----------------------|--------------|------------------------|-------------------|-------------------------------|-------------------|--------------------|
| | | | date | Base date | | |
| Iriver | Affiliate | Securities acquisition | December 22, 2014 | As of the date of acquisition | Convertible bonds | 5,000 |

C. Transfer of Assets

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Transferred Assets | Details | | Purchase Price | Remarks |
|-----------------------|--------------|-------------------------|-----------------------|-------------------|----------------|---------|
| | | | Purpose of Transfer | Date of Transfer | | |
| SK Telesys | Affiliate | Machinery and equipment | Disposition of assets | December 11, 2014 | 109 | |

| | | | | | |
|----------|-----------|---|--------------------------|----------------------|-----|
| SK Encar | | Vehicles and transportation equipment | Disposition of assets | November 17, 2014 | 12 |
| | Affiliate | | | | |
| Total | | | | | 121 |

D. Transfer of Business

None.

Table of Contents**3. Transactions with the Largest Shareholder**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction period | Transaction items | Transaction amount |
|-----------------------|--------------|-----------------|--------------------------------------|-------------------------------|--------------------|
| SK Broadband | Affiliate | Sales/Purchases | January 1, 2014 to December 31, 2014 | Interconnection revenue, etc. | 703,058 |
| PS&Marketing | Affiliate | Sales/Purchases | January 1, 2014 to December 31, 2014 | Marketing commissions, etc. | 846,696 |

4. Related Party Transactions

See note 37 of the notes to our consolidated financial statements for more information regarding related party transactions.

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category | Beginning | Change details Increase | Decrease | Accrued Ending interest | Remarks |
|-----------------------------|--------------|--------------------------------|-----------|----------------------------|----------|----------------------------|---------|
| Seoul E&T and others | Agency | Long-term and short-term loans | 84,760 | 196,738 | 198,759 | 82,739 | |
| Daehan Kanggun BCN Inc. | Investee | Long-term loans | 22,102 | 45 | | 22,147 | |
| Wave City Development, Inc. | Investee | Short-term loans | 1200 | | | 1,200 | |

Table of Contents**XI. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS****1. Developments in the Items Mentioned in Prior Reports on Important Business Matters****A. Status and Progress of Major Management Events**

None.

B. Summary Minutes of the General Meeting of Shareholders

| Date | Agenda | Resolution |
|--|--|---|
| 27th Fiscal Year Meeting of Shareholders (March 11, 2011) | 1. Approval of the financial statements for the year ended December 31, 2010 | Approved (Cash dividend, 8,400 per share) |
| | 2. Approval of Remuneration Limit for Directors | Approved |
| | 3. Amendment to Company Regulation on Executive Compensation | Approved (12 billion) |
| | | Approved (Sung Min Ha, Jin Woo So) |
| | 4. Election of directors | Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho) |
| | Election of inside directors | Approved (Jay Young Chung, Jae Ho Cho) |
| 1st Extraordinary Meeting of | Election of independent directors | |
| | Election of independent directors as Audit Committee members | |
| | 1. Approval of the Spin-off Plan | Approved (Spin-off of SK Planet) |

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| | | |
|--|--|---|
| Shareholders of 2011 (August 31, 2011) | 2. Election of director | Approved (Jun Ho Kim) |
| 28th Fiscal Year Meeting of Shareholders (March 23, 2012) | 1. Approval of the financial statements for the year ended December 31, 2011 | Approved (Cash dividend, 8,400 per share) |
| | 2. Amendment to Articles of Incorporation | Approved |
| | 3. Election of directors | Approved (Young Tae Kim) |
| | Election of an inside director | Approved (Dong Seob Jee) |
| | Election of an inside director | Approved (Hyun Chin Lim) |
| | Election of an independent director | Approved (Hyun Chin Lim) |
| | 4. Election of an independent director as Audit Committee member | Approved (12 billion) |
| | 5. Approval of remuneration limit for directors | |
| 29th Fiscal Year Meeting of Shareholders (March 22, 2013) | 1. Approval of the financial statements for the year ended December 31, 2012 | Approved (Cash dividend, 8,400 per share) |
| | 2. Amendments to Articles of Incorporation | Approved |
| | 3. Election of directors | Approved (Dae Sik Cho) |
| | Election of an inside director | Approved (Dae Shick Oh) |

Approved (Dae Shick Oh)

Election of an independent director

Approved (12 billion)

4. Election of an independent director as
Audit Committee member

5. Approval of remuneration limit for
directors

1. Approval of the financial statements for
the year ended December 31, 2013

Approved (Cash dividend, 8,400 per share)

2. Amendments to Articles of Incorporation

Approved

3. Election of directors

Approved (Sung Min Ha)

Election of an inside director

Approved (Jay Young Chung)

30th Fiscal Year

Meeting of

Election of an independent director

Approved (Jae Hoon Lee)

Shareholders

Election of an independent director

Approved (Jae Hyeon Ahn)

(March 21, 2014)

Election of an independent director

Approved (Jae Hyeon Ahn)

4. Election of an independent director as
Audit Committee member

Approved (12 billion)

5. Approval of remuneration limit for
directors

31st Fiscal Year

Approved (Cash dividend, 8,400 per share)

| | | |
|--|---|---------------------------|
| Meeting of Shareholders (March 20, 2015) | 1. Approval of the financial statements for the year ended December 31, 2014 | Approved |
| | 2. Amendments to Articles of Incorporation | Approved (Dong Hyun Jang) |
| | 3. Election of directors | Approved (Jae Hoon Lee) |
| | Election of an inside director | Approved (12 billion) |
| | 4. Election of an independent director as Audit Committee member | |
| | 5. Approval of remuneration limit for directors | |

Table of Contents**2. Contingent Liabilities**

[SK Telecom]

A. Material Legal Proceedings

(1) Claim for copyright license fees regarding Coloring services

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

B. Other Matters

None.

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the plaintiff

| Description of Proceedings | Date of Commencement of Proceedings | (Unit: in thousands of Won) | |
|---|-------------------------------------|-----------------------------|--------------------------------|
| | | Amount of Claim | Status |
| Damages claim against Welcome Savings Bank | March 2014 | 353,403 | Pending before district court |
| Dispute to dismiss an order to compensate for damages | October 2014 | 715,121 | Pending before district court |
| Damages claim against Golden Young and others | April 2011 | 908,166 | Pending before appellate court |
| Total | | 1,976,690 | |

(2) SK Broadband as the defendant

(Unit: in thousands of Won)

| Description of Proceedings | Date of Commencement of Proceedings | Amount of Claim | Status |
|---|--|------------------------|-------------------------------|
| Damages claim by Haein Networks Co., Ltd. | March 2013 | 101,000 | Pending before district court |
| Damages claim by Mag Telecom Co., Ltd. and others | January 2012 | 606,000 | Pending before district court |
| Damages claim by GT Com Co., Ltd. | March 2014 | 101,000 | Pending before district court |
| Others | | 207,861 | |
| Total | | 1,015,861 | |

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

B. Other Contingent Liabilities

(1) Pledged assets and covenants

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to 2,071 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to 14.2 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

[SK Planet]

A. Material Legal Proceedings

As of December 31, 2014, there was one pending proceeding with SK Planet as the defendant and the aggregate amount of the claim was 78 million. The management cannot reasonably forecast the outcome of this case and no amount in connection with this proceeding was recognized on the Company's financial statements.

B. Other Contingent Liabilities

None.

[SK Communications]

A. Material Legal Proceedings

As of December 31, 2014, the aggregate amount of claims was 2.1 billion. The Company successfully defended some but not all suits relating to a leak of personal information of subscribers of NATE. Relevant proceedings remain pending at various courts in Korea. The management cannot reasonably forecast the outcome of the pending proceedings, and as a result, adjustments were not made in the financial statements of the Company. The Company does not believe that the outcome of any of the proceedings in which SK Communications is named as a defendant will have a material effect on the Company's financial statements.

B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of December 31, 2014 are set forth in the table below.

(Unit: in thousands of Won)

| Financial Institution | Guarantee | Amount |
|-----------------------------------|--|---------------|
| Seoul Guarantee Insurance Company | Prepaid coverage payment guarantee | 700,000 |
| Seoul Guarantee Insurance Company | Provisional deposit guarantee insurance for bonds | 863,000 |
| Seoul Guarantee Insurance Company | Support for production and publication of cartoon series | 160,000 |

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[PS&Marketing]

A. Other Contingent Liabilities

Shinhan Bank has provided a payment guarantee of 3 billion for PS&Marketing's purchase of mobile devices from Apple Korea Ltd.

3. Status of sanctions, etc.

[SK Telecom]

On March 14, 2012, the Company received a correctional order from the Fair Trade Commission of Korea for an alleged violation of Article 23 of the Fair Trade Act relating to the handset subsidy practice and distribution of handsets and was imposed a fine of 21,928 million. The Company filed an administrative proceeding to appeal the order and the Seoul High Court ruled against it on October 29, 2014. The Company appealed the decision, and the case is currently pending before the Supreme Court of Korea.

On February 6, 2012, the Company received three penalty points and was imposed a fine of 3 million from the Korea Exchange for a violation of Article 35 of Korea Exchange's disclosure rules. The Company paid the fine and has been taking efforts to prevent a repetitive violation.

On June 21, 2012, the Company received a correctional order from the Korea Communications Commission in connection with its decision on whether the Company had violated regulations related to the safeguarding of location information. The Company completed the improvement of the procedures in consultation with the Korea Communications Commission by December 2012.

On July 4, 2012, the Fair Trade Commission issued correctional orders and imposed fines on the Company and seven affiliated companies for alleged unfair advantage provided to SK C&C, an affiliated company, in services fees for information technology system management and operation. The Company and SK Planet were imposed fines of 25,042 million and 1,349 million, respectively. The Company and the seven affiliated companies appealed the orders and on May 14, 2014, won the suit at the Seoul High Court. The Fair Trade Commission appealed the decision, and the case is currently pending before the Supreme Court of Korea.

On December 24, 2012, the Korea Communications Commission imposed on the Company a fine of 6.89 billion, imposed a suspension on acquiring new subscribers from January 31, 2013 to February 21, 2013 and issued a correctional order for providing discriminatory subsidies to subscribers. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by March 2013.

On January 11, 2013, the Company received a correctional order and a fine of 100 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the Company's transactions with its distribution network. The Company paid the fine by May 10, 2013.

On March 14, 2013, the Korea Communications Commission imposed on the Company a fine of 3.14 billion and issued a correctional order in a case for providing discriminatory subsidies to subscribers. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by April 2013.

On July 18, 2013, the Korea Communications Commission imposed on the Company a fine of 36.5 billion and issued a correctional order for providing discriminatory subsidies to subscribers. The Company paid the fine and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by August 2013.

On August 21, 2013, the Company received a correctional order from the Korea Communications Commission in connection with its decision on whether the Company had violated procedural regulations related to terms and conditions of usage. The Company completed the improvement of the procedures in consultation with the Korea Communications Commission by November 2013.

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On September 16, 2013, the Company received a correctional order from the Korea Communications Commission in connection with its decision on whether the Company had violated regulations related to wholesale provision of telecommunication services. The Company completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by October 2013.

On November 15, 2013, the Korea Communications Commission imposed a fine of 676 million and issued a correctional order for limiting termination of telecommunication services. The Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by December 2013.

On December 27, 2013, the Korea Communications Commission imposed on the Company a fine of 56.0 billion and issued a correctional order for providing discriminatory subsidies to subscribers. The Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by January 2014.

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

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

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

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

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

On March 12, 2015, the Korea Communications Commission imposed on the Company a fine of 934 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to the

Company's compensation programs for used handsets. The Company plans to pay the fine and implement the improvement of the procedures and report to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by April 2015.

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[SK Broadband]

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

Date: July 11, 2014

Subject: SK Broadband

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

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

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

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

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

Date: June 16, 2014

Subject: SK Broadband

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

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

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

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

(3) Violation of the Telecommunication Business Act

Date: August 21, 2013

Subject Company: SK Broadband

Sanction: SK Broadband received a correctional order from the Korea Communications Commission.

Reason and the Relevant Law: Violation of Article 50, Paragraph 1, Number 5 of the Telecommunications Business Act for use of subscription agreements that omitted certain material terms and conditions pertaining to high-speed Internet usage.

Status of Implementation: Completed revision of subscription agreements to include material terms and conditions pertaining to high-speed Internet usage. Has distributed information sheets on current terms and conditions to new subscribers since November 25, 2013.

Company's Plan: Improve operations including through revision of subscription agreements.

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(4) Violation of the Telecommunication Business Act

Date: June 5, 2013

Subject Company: SK Broadband

Sanction: SK Broadband received a correctional order from the Korea Communications Commission.

Reason and the Relevant Law: Improperly delayed cancellations of high-speed Internet subscribers and violated Articles 42 and 50 of the Telecommunication Business Act.

Status of Implementation: Improving operating procedures to stop the prohibited practice due for completion in August, completed amendment of the terms of service and published the sanction in newspapers.

Company's Plan: Improve cancellation procedures to prevent recurrence of the cancellation delays.

(5) Violation of accounting rules

Date: December 13, 2012

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a fine of 39 million from the Korea Communications Commission.

Reason and the relevant law: Business report for 2011 violated accounting rules under Article 49 of the Telecommunication Business Act.

Status of Implementation: Paid the fine.

Company's plan: Will improve accounting management system.

(6) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

Sanction: SK Broadband received a correctional order and a fine of 253 million

Reason and relevant law: Violation of Article 50, Paragraph 1, Number 5 of the Telecommunications Business Act and Article 50, Paragraph 1 of the related Enforcement Decree for offering discounts outside the terms and conditions of the subscription agreement to certain subscribers and thereby discriminating against certain subscribers

Status of implementation: Paid the fine, ceased the prohibitive practice, disclosed receiving the correctional order in a newspaper advertisement and changed business practice to prevent reoccurrence.

Company's plan: Continuous management of the company's distribution network and improve the company's distribution structure.

(7) Violation of accounting rules

Date: January 20, 2012

Subject Company: SK Broadband

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Sanction: SK Broadband was imposed a fine of 54 million from the Korea Communications Commission.

Reason and the Relevant Law: Business report for 2010 violated accounting rules under Article 49 of the Telecommunication Business Act.

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

(8) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a fine of 30 million from the Korea Communications Commission.

Reason and the Relevant Law: Violated Telecommunication Business Act by allocating 060 number without prior review and charging fees for the service usage.

Status of Implementation: Paid the fine, stopped the prohibited practice, improved operating procedures and reported the results.

Company's Plan: Will improve operating procedures.

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

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

Sanction: SK Broadband was imposed a fine of 15 million and the former officer was imposed a fine of 5 million.

Reason and the Relevant Law: Violated Articles 24 and 62 of the Act on Facilitation of the Use of Information Network and Protection of Information by providing subscribers' personal information to telemarketers without subscribers' consents.

Status of Implementation: Paid the fine.

Company's Plan: Provide education to officers and employees and strengthen internal regulations.

(10) Violation of the Telecommunication Business Act

Date: February 21, 2011

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a correctional order and a fine of 3.2 billion from the Korea Communications Commission.

Reason and the Relevant Law: Improperly discriminated subscribers with respect to the fee reduction in the process of acquiring high-speed Internet subscribers. Violated Article 50 of the Telecommunication Business Act and Article 42 of the Enforcement Decree.

Status of Implementation: Paid the fine, stopped the prohibited practice, published the sanction in newspapers, improved operating procedures and amended the terms of services.

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Company's Plan: Continue to monitor marketing networks, improve marketing procedures, distribute incentive items directly and reduce incentive items.

4. Important Matters That Occurred After December 31, 2014
[SK Telecom]

On March 20, 2015, the Company's board of directors resolved to enter into a share exchange agreement in connection with the comprehensive exchange of the Company's treasury shares for the issued and outstanding shares of SK Broadband (such transaction, the Share Exchange), excluding the shares of SK Broadband held by the Company as of the date of the Share Exchange, in order to acquire all of the shares of SK Broadband.

Share exchange ratio: 0.0168936 treasury shares of SK Telecom in exchange for one registered common share of SK Broadband

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

Date of the Share Exchange agreement: March 23, 2015

Record date for the small-scale share swap: April 6, 2015

Date of Board of Directors' meeting for approval of the Share Exchange: May 6, 2015

Date of Share Exchange: June 9, 2015

* The aforementioned schedule is subject to change due to consents or approvals required under applicable laws or based on discussions with relevant institutions. For more information, please refer to the Form 6-K furnished to the U.S. Securities and Exchange Commission (the SEC) on March 20, 2015 and the Form 6-K/A furnished to the SEC on April 8, 2015 as well as our future filings with the SEC to be filed on Form CB.

5. Use of Proceeds

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

(As of December 31, 2014)

(Unit: in millions of Won)

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

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

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SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Yong Hwan Lee
(Signature)

Name: Yong Hwan Lee
Title: Senior Vice President

Date: April 20, 2015

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Exhibit 99.1

SK TELECOM CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014 and 2013 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

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Other Matter

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea. We did not audit the financial statements of SK Broadband Co.,Ltd., a domestic subsidiary, and an associate whose financial statements represent 21.2% of the Group's consolidated total assets as of December 31, 2013 and 11.7% of the Group's consolidated operating revenue and 33.6% of the Group's profit before income tax for the year then ended. Other auditors audited those financial statements and our report, insofar as it relates to the amounts included for these entities, was based solely on the report of other auditors.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

February 23, 2015

This report is effective as of February 23, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2014 | December 31, 2013 |
|--|------------------|------------------------------|------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 31,35,36 | 834,429 | 1,398,639 |
| Short-term financial instruments | 6,31,35,36,37,38 | 313,068 | 311,474 |
| Short-term investment securities | 9,35,36 | 280,161 | 106,068 |
| Accounts receivable trade, net | 7,31,35,36,37 | 2,392,150 | 2,257,316 |
| Short-term loans, net | 7, 35,36,37 | 74,512 | 79,395 |
| Accounts receivable other, net | 7, 35,36,37 | 690,527 | 643,603 |
| Prepaid expenses | | 134,404 | 108,909 |
| Derivative financial assets | 23, 35,36 | | 10 |
| Inventories, net | 8,38 | 267,667 | 177,120 |
| Assets classified as held for sale | 10 | 10,510 | 3,667 |
| Advanced payments and other | 7,9, 35,36,37 | 85,720 | 37,214 |
| Total Current Assets | | 5,083,148 | 5,123,415 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 6, 35,36,38 | 631 | 8,142 |
| Long-term investment securities | 9, 35,36 | 956,280 | 968,527 |
| Investments in associates and joint ventures | 13 | 6,298,088 | 5,325,297 |
| Property and equipment, net | 14,37,38 | 10,567,701 | 10,196,607 |
| Investment property, net | 15 | 14,997 | 15,811 |
| Goodwill | 16 | 1,917,595 | 1,733,261 |
| Intangible assets, net | 17 | 2,483,994 | 2,750,782 |
| Long-term loans, net | 7, 35,36,37 | 55,728 | 57,442 |
| Long-term accounts receivable other | 7,35,36 | 3,596 | |
| Long-term prepaid expenses | 38 | 51,961 | 32,008 |
| Guarantee deposits | 6,7, 35,36,37 | 285,144 | 249,600 |
| Long-term derivative financial assets | 23,35,36 | 70,035 | 41,712 |
| Deferred tax assets | 2,32 | 25,083 | 26,322 |
| Other non-current assets | 7, 35,36 | 127,252 | 47,589 |
| Total Non-Current Assets | | 22,858,085 | 21,453,100 |
| Total Assets | | 27,941,233 | 26,576,515 |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position, Continued

As of December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2014 | December 31, 2013 |
|--|---------------------|------------------------------|------------------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | <i>18,31,35,36</i> | 366,600 | 260,000 |
| Current installments of long-term debt, net | <i>18,31,35,36</i> | 590,714 | 1,042,276 |
| Current installments of finance lease liabilities | <i>21,31,35,36</i> | 3,804 | 19,351 |
| Current installments of long-term payables other | <i>19,35,36</i> | 189,389 | 206,800 |
| Accounts payable trade | <i>35,36,37</i> | 275,495 | 214,716 |
| Accounts payable other | <i>35,36,37</i> | 1,381,850 | 1,864,024 |
| Withholdings | <i>35,36,37</i> | 1,053,063 | 728,936 |
| Accrued expenses | <i>35,36</i> | 952,418 | 988,193 |
| Income tax payable | <i>32</i> | 99,236 | 112,316 |
| Unearned revenue | | 327,003 | 441,731 |
| Derivative financial liabilities | <i>23, 35,36</i> | | 21,171 |
| Provisions | <i>20</i> | 51,075 | 66,775 |
| Advance receipts | <i>34,35</i> | 129,255 | 102,931 |
| Liabilities classified as held for sale | <i>10</i> | 408 | |
| Total Current Liabilities | | 5,420,310 | 6,069,220 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | <i>18,31, 35,36</i> | 5,649,158 | 4,905,579 |
| Long-term borrowings, excluding current installments | <i>18,31, 35,36</i> | 149,720 | 104,808 |
| Long-term payables other | <i>19, 35,36</i> | 684,567 | 838,585 |
| Long-term unearned revenue | | 19,659 | 50,894 |
| Finance lease liabilities | <i>21,31, 35,36</i> | 26 | 3,867 |
| Defined benefit liabilities | <i>22</i> | 91,587 | 74,201 |
| Long-term derivative financial liabilities | <i>23, 35,36</i> | 130,889 | 103,168 |
| Long-term provisions | <i>20</i> | 36,013 | 28,106 |
| Deferred tax liabilities | <i>32</i> | 444,211 | 168,825 |
| Other non-current liabilities | <i>35,36</i> | 66,823 | 62,705 |
| Total Non-Current Liabilities | | 7,272,653 | 6,340,738 |
| Total Liabilities | | 12,692,963 | 12,409,958 |
| Equity | | | |
| Share capital | <i>1,24</i> | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | <i>24,25,26</i> | 277,998 | 317,508 |

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| | | | |
|--|----|-------------------|-------------------|
| Retained earnings | 27 | 14,188,591 | 13,102,495 |
| Reserves | 28 | (4,489) | (12,270) |
| Equity attributable to owners of the Parent Company | | 14,506,739 | 13,452,372 |
| Non-controlling interests | | 741,531 | 714,185 |
| Total Equity | | 15,248,270 | 14,166,557 |
| Total Liabilities and Equity | | 27,941,233 | 26,576,515 |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2014 and 2013

| <i>(In millions of won except for per share data)</i> | <i>Note</i> | 2014 | 2013 |
|---|---------------|------------------|------------------|
| Continuing operations | | | |
| Operating revenue: | <i>5,37</i> | | |
| Revenue | | 17,163,798 | 16,602,054 |
| Operating expense: | <i>37</i> | | |
| Labor cost | <i>22</i> | 1,659,777 | 1,561,358 |
| Commissions paid | | 5,692,680 | 5,498,695 |
| Depreciation and amortization | <i>5</i> | 2,714,730 | 2,661,623 |
| Network interconnection | | 997,319 | 1,043,733 |
| Leased line | | 399,014 | 448,833 |
| Advertising | | 415,857 | 394,066 |
| Rent | | 460,309 | 443,639 |
| Cost of products that have been resold | | 1,680,110 | 1,300,375 |
| Other operating expenses | <i>29</i> | 1,318,897 | 1,238,623 |
| | | 15,338,693 | 14,590,945 |
| Operating income | <i>5</i> | 1,825,105 | 2,011,109 |
| Finance income | <i>5,31</i> | 126,337 | 113,392 |
| Finance costs | <i>5,31</i> | (386,673) | (571,203) |
| Gain related to investments in subsidiaries, associates and joint ventures, net | <i>1,5,13</i> | 906,338 | 706,509 |
| Other non-operating income | <i>30</i> | 56,279 | 74,467 |
| Other non-operating expenses | <i>30</i> | (273,558) | (507,173) |
| Profit before income tax | <i>5</i> | 2,253,828 | 1,827,101 |
| Income tax expense from continuing operations | <i>32</i> | 454,508 | 400,797 |
| Profit from continuing operations | | 1,799,320 | 1,426,304 |
| Discontinued operations | | | |
| Profit from discontinued operations, net of income taxes | <i>39</i> | | 183,245 |
| Profit for the year | <i>5</i> | 1,799,320 | 1,609,549 |
| Attributable to: | | | |
| Owners of the Parent Company | | 1,801,178 | 1,638,964 |
| Non-controlling interests | | (1,858) | (29,415) |
| Earnings per share | <i>33</i> | | |
| Basic earnings per share (in won) | | 25,154 | 23,211 |

| | | | |
|---|-----------|--------|--------|
| Diluted earnings per share (in won) | | 25,154 | 23,211 |
| Earnings per share Continuing operations | 33 | | |
| Basic earnings per share (in won) | | 25,154 | 20,708 |
| Diluted earnings per share (in won) | | 25,154 | 20,708 |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | 2014 | 2013 |
|--|-------------|------------------|------------------|
| Profit for the year | | 1,799,320 | 1,609,549 |
| Other comprehensive income (loss) | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement of defined benefit liabilities | 22 | (32,942) | 5,946 |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 28,31 | 27,267 | 2,009 |
| Net change in other comprehensive income of investments in associates and joint ventures | 13,28 | 8,187 | 3,034 |
| Net change in unrealized fair value of derivatives | 23,28,31 | (45,942) | 11,222 |
| Foreign currency translation differences for foreign operations | 28 | 14,944 | (3,714) |
| Other comprehensive income (loss) for the year | | (28,486) | 18,497 |
| Total comprehensive income | | 1,770,834 | 1,628,046 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent Company | | 1,777,519 | 1,655,570 |
| Non-controlling interests | | (6,685) | (27,524) |
| <i>See accompanying notes to the consolidated financial statements.</i> | | | |

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | Controlling interest | | | | Sub-total | Non-controlling interests | Total equity |
|---|----------------------|---|-------------------|-----------------|-------------------|---------------------------|-------------------|
| | Share capital | Capital surplus (deficit) and other capital adjustments | Retained earnings | Reserves | | | |
| Balance, January 1, 2013 | 44,639 | (288,883) | 12,124,657 | (25,636) | 11,854,777 | 1,000,005 | 12,854,782 |
| Cash dividends | | | (655,946) | | (655,946) | (2,242) | (658,188) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the year | | | 1,638,964 | | 1,638,964 | (29,415) | 1,609,549 |
| Other comprehensive income | | | 3,240 | 13,366 | 16,606 | 1,891 | 18,497 |
| | | | 1,642,204 | 13,366 | 1,655,570 | (27,524) | 1,628,046 |
| Issuance of hybrid bond | | 398,518 | | | 398,518 | | 398,518 |
| Interest on hybrid bond | | | (8,420) | | (8,420) | | (8,420) |
| Treasury stock | | 271,536 | | | 271,536 | | 271,536 |
| Business combination under common control | | (61,854) | | | (61,854) | | (61,854) |
| Changes in ownership in subsidiaries | | (1,809) | | | (1,809) | (256,054) | (257,863) |
| Balance, December 31, 2013 | 44,639 | 317,508 | 13,102,495 | (12,270) | 13,452,372 | 714,185 | 14,166,557 |
| Balance, January 1, 2014 | 44,639 | 317,508 | 13,102,495 | (12,270) | 13,452,372 | 714,185 | 14,166,557 |
| Cash dividends | | | (666,802) | | (666,802) | (170) | (666,972) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the year | | | 1,801,178 | | 1,801,178 | (1,858) | 1,799,320 |
| Other comprehensive income (loss) | | | (31,440) | 7,781 | (23,659) | (4,827) | (28,486) |
| | | | 1,769,738 | 7,781 | 1,777,519 | (6,685) | 1,770,834 |
| Interest on hybrid bond | | | (16,840) | | (16,840) | | (16,840) |
| | | | | | | 23,667 | 23,667 |

| | | | | | | | |
|---|---------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
| Changes in consolidation scope | | | | | | | |
| Business combination under common control | (28,641) | | | (28,641) | | | (28,641) |
| Changes in ownership in subsidiaries | (10,869) | | | (10,869) | 10,534 | | (335) |
| Balance, December 31, 2014 | 44,639 | 277,998 | 14,188,591 | (4,489) | 14,506,739 | 741,531 | 15,248,270 |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | 2014 | 2013 |
|--|-------------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | 1,799,320 | 1,609,549 |
| Adjustments for income and expenses | 40 | 2,978,995 | 3,275,376 |
| Changes in assets and liabilities related to operating activities | 40 | (707,333) | (969,870) |
| Sub-total | | 4,070,982 | 3,915,055 |
| Interest received | | 56,706 | 64,078 |
| Dividends received | | 13,048 | 10,197 |
| Interest paid | | (280,847) | (300,104) |
| Income tax paid | | (182,504) | (130,656) |
| Net cash provided by operating activities | | 3,677,385 | 3,558,570 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term financial instruments, net | | 5,627 | 186,425 |
| Collection of short-term loans | | 207,439 | 290,856 |
| Decrease in long-term financial instruments | | 2,535 | 16 |
| Proceeds from disposal of long-term investment securities | | 65,287 | 287,777 |
| Proceeds from disposal of investments in associates and joint ventures | | 7,333 | 43,249 |
| Proceeds from disposal of property and equipment | | 25,143 | 12,579 |
| Proceeds from disposal of intangible assets | | 10,917 | 2,256 |
| Proceeds from disposal of assets held for sale | | 3,667 | 190,393 |
| Collection of long-term loans | | 4,454 | 13,104 |
| Decrease in deposits | | 8,891 | 8,509 |
| Proceeds from disposal of other non-current assets | | 94 | 683 |
| Proceeds from disposal of subsidiaries | | | 215,939 |
| Sub-total | | 341,387 | 1,251,786 |
| Cash outflows for investing activities: | | | |
| Increase in short-term investment securities, net | | (174,209) | (45,032) |
| Increase in short-term loans | | (202,501) | (279,926) |
| Increase in long-term loans | | (4,341) | (4,050) |
| Increase in long-term financial instruments | | (2,522) | (7,510) |
| Acquisition of long-term investment securities | | (41,305) | (22,141) |
| Acquisition of investments in associates and joint ventures | | (60,020) | (97,366) |
| Acquisition of property and equipment | | (3,008,026) | (2,879,126) |
| Acquisition of intangible assets | | (130,667) | (243,163) |

| | | |
|---|--------------------|--------------------|
| Cash held by disposal group classified as held for sale | (552) | |
| Increase in deposits | (6,903) | (83,314) |
| Increase in other non-current assets | (18,233) | (1,830) |
| Acquisition of business, net of cash acquired | (375,273) | (94,805) |
| Sub-total | (4,024,552) | (3,758,263) |
| Net cash used in investing activities | (3,683,165) | (2,506,477) |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | 2014 | 2013 |
|---|-------------|------------------|------------------|
| Cash flows from financing activities: | | | |
| Cash inflows from financing activities: | | | |
| Increase in short-term borrowings, net | | 102,868 | |
| Issuance of debentures | | 1,255,468 | 1,328,694 |
| Proceeds from long-term borrowings | | 62,552 | 105,055 |
| Issuance of hybrid bond | | | 398,518 |
| Cash inflows from settlement of derivatives | | 200 | 19,970 |
| Sub-total | | 1,421,088 | 1,852,237 |
| Cash outflows for financing activities: | | | |
| Decrease in short-term borrowings, net | | | (340,245) |
| Repayment of long-term account payables-other | | (207,791) | (161,575) |
| Repayment of debentures | | (1,039,938) | (771,976) |
| Repayment of long-term borrowings | | (23,284) | (467,217) |
| Cash outflows from settlement of derivatives | | (6,444) | |
| Payment of finance lease liabilities | | (19,388) | (20,342) |
| Payment of dividends | | (666,802) | (655,946) |
| Payment of interest on hybrid bond | | (16,840) | |
| Decrease in cash from consolidated capital transaction | | | (8,093) |
| Sub-total | | (1,980,487) | (2,425,394) |
| Net cash used in financing activities | | (559,399) | (573,157) |
| Net increase (decrease) in cash and cash equivalents | | (565,179) | 478,936 |
| Cash and cash equivalents at beginning of the year | | 1,398,639 | 920,125 |
| Effects of exchange rate changes on cash and cash equivalents | | 969 | (422) |
| Cash and cash equivalents at end of the year | | 834,429 | 1,398,639 |

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

(1) General

SK Telecom Co., Ltd. (the Parent Company) was incorporated in March 1984 under the laws of the Republic of Korea (Korea) to engage in providing cellular telephone communication services in Korea. The Parent Company mainly provides wireless telecommunications in Korea. The Parent Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2014, the Parent Company s total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|--|---------------------|--|
| SK Holdings Co., Ltd. | 20,363,452 | 25.22 |
| National Pension Service | 5,722,692 | 7.09 |
| Institutional investors and other minority stockholders | 44,850,192 | 55.54 |
| Treasury stock | 9,809,375 | 12.15 |
| Total number of shares | 80,745,711 | 100.00 |

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

(2) List of subsidiaries

The list of subsidiaries as of December 31, 2014 and 2013 is as follows:

| Subsidiary | Location | Primary business | Ownership (%) | |
|-----------------------------|----------|--|------------------|------------------|
| | | | Dec. 31, 2014 | Dec. 31, 2013 |
| SK Telink Co., Ltd. | Korea | Telecommunication and MVNO service | 83.5 | 83.5 |
| M&Service Co., Ltd. | Korea | Data base and internet website service | 100.0 | 100.0 |
| SK Communications Co., Ltd. | Korea | Internet website services | 64.6 | 64.6 |
| Stonebridge Cinema Fund | Korea | Investment association | 56.0 | 56.0 |

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| | | | | |
|---|-----------|---|-------|-------|
| Commerce Planet Co., Ltd. | Korea | Online shopping mall operation agency | 100.0 | 100.0 |
| SK Broadband Co., Ltd. | Korea | Telecommunication services | 50.6 | 50.6 |
| K-net Culture and Contents Venture Fund | Korea | Investment association | 59.0 | 59.0 |
| Fitech Focus Limited Partnership II | Korea | Investment association | 66.7 | 66.7 |
| Open Innovation Fund | Korea | Investment association | 98.9 | 98.9 |
| PS&Marketing Corporation | Korea | Communications device retail business | 100.0 | 100.0 |
| Service Ace Co., Ltd. | Korea | Customer center management service | 100.0 | 100.0 |
| Service Top Co., Ltd. | Korea | Customer center management service | 100.0 | 100.0 |
| Network O&S Co., Ltd. | Korea | Base station maintenance service | 100.0 | 100.0 |
| BNCP Co., Ltd. | Korea | Internet website services | 100.0 | 100.0 |
| Iconcube Holdings, Inc.(*1) | Korea | Investment association | 100.0 | |
| Icencube, Inc.(*1) | Korea | Internet website services | 100.0 | |
| SK Planet Co., Ltd. | Korea | Telecommunication service | 100.0 | 100.0 |
| Neosnetworks Co.,Ltd.(*1,2) | Korea | Guarding of facilities | 66.7 | |
| IRIVER LIMITED(*1,3) | Korea | Manufacturing digital audio players and other portable media devices. | 49.0 | |
| Iriver CS Co., Ltd.(*1) | Korea | After-sales service and logistics agency | 100.0 | |
| iriver Enterprise Ltd.(*1) | Hong Kong | Management of Chinese subsidiary | 100.0 | |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

| Subsidiary | Location | Primary business | Ownership (%) | |
|--|-----------|--|---------------|---------------|
| | | | Dec. 31, 2014 | Dec. 31, 2013 |
| iriver America Inc.(*1) | USA | Marketing and sales in North America | 100.0 | |
| iriver Inc.(*1) | USA | Marketing and sales in North America | 100.0 | |
| iriver China Co., Ltd.(*1) | China | Sales and manufacturing MP3,4 in China | 100.0 | |
| Dongguan iriver Electronics Co., Ltd.(*1) | China | Sales and manufacturing e-book in China | 100.0 | |
| SK Telecom China Holdings Co., Ltd. | China | Investment association | 100.0 | 100.0 |
| Shenzhen E-eye High Tech Co., Ltd. | China | Manufacturing | 65.5 | 65.5 |
| SK Global Healthcare Business Group., Ltd. | Hong Kong | Investment association | 100.0 | 100.0 |
| SK Planet Japan | Japan | Digital contents sourcing service | 100.0 | 100.0 |
| SKT Vietnam PTE. Ltd. | Singapore | Telecommunication service | 73.3 | 73.3 |
| SK Planet Global PTE. Ltd. | Singapore | Digital contents sourcing service | 100.0 | 100.0 |
| SKP GLOBAL HOLDINGS PTE. LTD. | Singapore | Investment association | 100.0 | 100.0 |
| SKT Americas, Inc. | USA | Information gathering and consulting | 100.0 | 100.0 |
| SKP America LLC. | USA | Digital contents sourcing service | 100.0 | 100.0 |
| YTK Investment Ltd. | Cayman | Investment association | 100.0 | 100.0 |
| Atlas Investment | Cayman | Investment association | 100.0 | 100.0 |
| Technology Innovation Partners, LP. | USA | Investment association | 100.0 | 100.0 |
| SK Telecom China Fund I L.P. | Cayman | Investment association | 100.0 | 100.0 |
| shopkick Management Company, Inc.(*1) | USA | Investment association | 95.2 | |
| shopkick, Inc.(*1) | USA | Mileage-based online transaction app development | 100.0 | |

(*1) Changes in subsidiaries are explained in note 1-(4).

(*2) Due to the shareholders' agreement which grants put option to the non-controlling shareholders, this entity is consolidated as a wholly owned subsidiary in the consolidated financial statements (See Note 11).

(*3) Although the Group has less than 50% of the voting rights of IRIVER LIMITED, it is considered to have de facto control since the Group holds significantly more voting rights than any other vote holder or organized group of

vote holders, and the other shareholdings are widely dispersed (See Note 11).

In accordance with the Group's accounting policy relating to the scope of consolidation, small-sized subsidiaries including IM Shopping Inc. were excluded from the list of subsidiaries as the effects on the Group's consolidated financial statements are not material considering both individual and overall quantitative and qualitative effects.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the year ended December 31, 2014 is as follows:

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|--|---------------------|--------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd. | 324,028 | 184,074 | 139,954 | 465,463 | 13,073 |
| M&Service Co., Ltd. | 79,476 | 37,505 | 41,971 | 133,789 | 7,458 |
| SK Communications Co., Ltd. | 176,168 | 41,987 | 134,181 | 93,910 | (18,386) |
| Stonebridge Cinema Fund | 11,137 | 320 | 10,817 | | 383 |
| Commerce Planet Co., Ltd. | 26,078 | 27,259 | (1,193) | 64,509 | 933 |
| SK Broadband Co., Ltd. | 3,109,991 | 1,988,379 | 1,121,612 | 2,654,381 | 4,307 |
| K-net Culture and Contents Venture Fund | 21,094 | 4 | 21,090 | | 4,920 |
| Fitech Focus Limited Partnership II | 19,301 | | 19,301 | | (2,055) |
| Open Innovation Fund | 21,765 | | 21,765 | | (6,266) |
| PS&Marketing Corporation | 544,292 | 336,221 | 208,071 | 1,627,217 | 2,817 |
| Service Ace Co., Ltd. | 66,336 | 37,770 | 28,566 | 207,427 | 3,570 |
| Service Top Co., Ltd. | 57,032 | 36,723 | 20,309 | 188,835 | 3,503 |
| Network O&S Co., Ltd. | 71,348 | 45,770 | 25,578 | 211,916 | 3,823 |
| BNCP Co., Ltd. | 6,785 | 5,887 | 898 | 12,869 | (1,505) |
| Iconcube Holdings, Inc.(*1) | 1,415 | 515 | 900 | 630 | (2,284) |
| SK Planet Co., Ltd. | 2,579,286 | 746,832 | 1,832,454 | 1,512,492 | 1,593 |
| Neosnetworks Co.,Ltd. | 31,633 | 13,251 | 18,382 | 33,302 | (1,989) |
| IRIVER LIMITED(*2) | 61,945 | 14,392 | 47,553 | 53,192 | 2,345 |
| SK Telecom China Holdings Co., Ltd. | 37,877 | 2,335 | 35,542 | 12,420 | 1,058 |
| Shenzhen E-eye High Tech Co., Ltd. | 15,566 | 408 | 15,158 | 3,637 | (1,143) |
| SK Global Healthcare Business Group., Ltd. | 25,874 | | 25,874 | | (689) |
| SK Planet Japan | 5,222 | 1,638 | 3,584 | 93 | (4,561) |
| SKT Vietnam PTE. Ltd. | 4,242 | 1,286 | 2,956 | | (73) |
| SK Planet Global PTE. Ltd. | 4,215 | 64 | 4,151 | 87 | (2,543) |
| SKP GLOBAL HOLDINGS PTE. LTD. | 29,529 | 11 | 29,518 | | (9,716) |
| SKT Americas, Inc. | 42,159 | 554 | 41,605 | 9,100 | (5) |
| SKP America LLC. | 297,981 | 67 | 297,914 | | (2,370) |
| YTK Investment Ltd. | 27,944 | | 27,944 | | (15,259) |
| Atlas Investment(*3) | 66,825 | 94 | 66,731 | | (6,626) |

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| | | | |
|-----------------------------------|---------|--------|---------|
| shopkick Management Company, Inc. | 230,925 | | 230,925 |
| shopkick, Inc. | 28,216 | 13,698 | 14,518 |

(*1) The condensed financial information of Iconcube Holdings, Inc. includes financial information of Icon-Cube Co., Ltd., a subsidiary of Iconcube Holdings, Inc.

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

(*3) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries, Continued

Condensed financial information of subsidiaries as of and for the year ended December 31, 2013 is as follows:

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|--|-------------------------|------------------------------|-------------------------|----------------|--------------------------|
| SK Telink Co., Ltd. | 252,475 | 125,807 | 126,668 | 433,276 | 16,024 |
| M&Service Co., Ltd. | 68,587 | 32,626 | 35,961 | 130,178 | 4,176 |
| SK Communications Co., Ltd. | 205,792 | 53,755 | 152,037 | 128,272 | (41,893) |
| Stonebridge Cinema Fund | 11,974 | 377 | 11,597 | 1 | 1,320 |
| Commerce Planet Co., Ltd. | 26,237 | 27,333 | (1,096) | 56,565 | 587 |
| SK Broadband Co., Ltd. | 3,044,349 | 1,916,721 | 1,127,628 | 2,539,366 | 12,306 |
| K-net Culture and Contents Venture Fund | 16,181 | 12 | 16,169 | | (16,595) |
| Fitech Focus Limited Partnership II | 21,446 | | 21,446 | | (1,179) |
| Open Innovation Fund | 27,996 | | 27,996 | | (15,408) |
| PS&Marketing Corporation | 277,300 | 141,356 | 135,944 | 1,095,647 | 1,369 |
| Service Ace Co., Ltd. | 56,276 | 30,667 | 25,609 | 187,961 | 2,995 |
| Service Top Co., Ltd. | 48,369 | 30,634 | 17,735 | 159,364 | 3,484 |
| Network O&S Co., Ltd. | 56,677 | 32,353 | 24,324 | 198,664 | 2,060 |
| BNCP Co., Ltd. | 12,108 | 6,433 | 5,675 | 14,819 | (9,019) |
| SK Planet Co., Ltd. | 2,528,054 | 766,841 | 1,761,213 | 1,378,211 | 201,556 |
| SK Telecom China Holdings Co., Ltd. | 36,261 | 2,052 | 34,209 | 17,025 | 613 |
| Shenzhen E-eye High Tech Co., Ltd. | 17,894 | 1,841 | 16,053 | 7,703 | (789) |
| SK Global Healthcare Business Group., Ltd. | 27,625 | | 27,625 | | 831 |
| SK Planet Japan | 1,793 | 280 | 1,513 | 394 | (1,635) |
| SKT Vietnam PTE. Ltd. | 11,773 | 8,862 | 2,911 | | (28,086) |
| SK Planet Global PTE. Ltd. | 697 | 149 | 548 | 331 | (1,420) |
| SKP GLOBAL HOLDINGS PTE. LTD. | 20,713 | 9 | 20,704 | | 1,542 |
| SKT Americas, Inc. | 33,876 | 1,315 | 32,561 | 9,207 | (6,544) |
| SKP America LLC. | 22,399 | 12 | 22,387 | | |
| YTK Investment Ltd. | 42,118 | | 42,118 | | (21,764) |
| Atlas Investment(*) | 40,218 | 101 | 40,117 | | (8,248) |

(*) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(4) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation during the year ended December 31, 2014 is as follows:

| Subsidiary | Reason |
|---|---|
| Neosnetworks Co., Ltd. IRIVER LIMITED Iriver CS Co., Ltd. | The Parent Company acquired ownership interests during the year ended December 31, 2014. (See Note 11) |
| iriver Enterprise Ltd. | |
| iriver America Inc. | |
| iriver Inc. | |
| iriver China Co., Ltd. Dongguan iriver Electronics Co., Ltd. | |
| Iconcube Holdings, Inc. | Established by spinoff from BNCP Co., Ltd. during the year ended December 31, 2014. |
| Iconcube, Inc. | Established by SKP America LLC. during the year ended December 31, 2014. |
| shopkick Management Company, Inc. shopkick, Inc. | Shopkick Management Company, Inc. acquired ownership interests during the year ended December 31, 2014. (See Note 11) |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

- (5) The information of significant non-controlling interests of the Group as of and for the years ended December 31, 2014 and 2013 are as follows. There were no dividends paid during the years ended December 31, 2014 and 2013 by subsidiaries of which non-controlling interests are significant.

| <i>(In millions of won)</i> | December 31, 2014 | |
|---|--|-----------------------------------|
| | SK Communications Co., Ltd. | SK Broadband Co., Ltd. |
| Ownership of non-controlling interests (%) | 35.4 | 49.4 |
| Current assets | 89,135 | 463,764 |
| Non-current assets | 87,033 | 2,646,227 |
| Current liabilities | (41,252) | (881,886) |
| Non-current liabilities | (735) | (1,106,493) |
| Net assets | 134,181 | 1,121,612 |
| Adjustment for fair value | | 111,561 |
| Net assets of consolidated entities | 134,181 | 1,233,173 |
| Carrying amount of non-controlling interests | 47,577 | 609,638 |
| Revenue | 93,910 | 2,654,381 |
| Profit (loss) for the period | (18,386) | 4,307 |
| Amortization of fair value adjustment | | (1,916) |
| Profit (loss) of the consolidated entities | (18,386) | 2,391 |
| Total comprehensive income (loss) | 530 | (10,324) |
| Profit (loss) attributable to non-controlling interests | (6,519) | 1,182 |
| Net cash provided by (used in) operating activities | (5,962) | 431,760 |
| Net cash used in investing activities | (17,927) | (599,016) |
| Net cash provided by financing activities | | 119,484 |
| Net decrease in cash and cash equivalents | (23,889) | (47,772) |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

- (5) The information of significant non-controlling interests of the Group as of and for the years ended December 31, 2014 and 2013 are as follows. There were no dividends paid during the years ended December 31, 2014 and 2013 by subsidiaries of which non-controlling interests are significant., Continued

| <i>(In millions of won)</i> | December 31, 2013 | |
|--|--|-----------------------------------|
| | SK Communications Co., Ltd. | SK Broadband Co., Ltd. |
| Ownership of non-controlling interests (%) | 35.4 | 49.4 |
| Current assets | 108,100 | 533,597 |
| Non-current assets | 97,692 | 2,510,752 |
| Current liabilities | (51,868) | (938,385) |
| Non-current liabilities | (1,887) | (978,336) |
| Net assets | 152,037 | 1,127,628 |
| Adjustment for fair value | | 113,478 |
| Net assets of consolidated entities | 152,037 | 1,241,106 |
| Carrying amount of non-controlling interests | 53,856 | 613,560 |
| Revenue | 128,272 | 2,539,366 |
| Profit (loss) for the period | (41,893) | 12,306 |
| Amortization of fair value adjustment | | (30,977) |
| Loss of the consolidated entities | (41,893) | (18,671) |
| Total comprehensive loss | (43,318) | (13,059) |
| Loss attributable to non-controlling interests | (14,853) | (9,231) |
| Net cash provided by (used in) operating activities | (22,867) | 440,036 |
| Net cash provided by (used in) investing activities | 41,788 | (329,346) |
| Net cash provided by (used in) financing activities | 19 | (129,181) |
| Net increase (decrease) in cash and cash equivalents | 18,940 | (18,491) |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation

(1) Statement of compliance

These consolidated financial statements were prepared in accordance with Korean International Financial Reporting Standards (K-IFRS), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 5, 2015, which will be submitted for approval at the shareholders meeting to be held on March 20, 2015.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statements of financial position:

derivative financial instruments are measured at fair value

financial instruments at fair value through profit or loss are measured at fair value

available-for-sale financial assets are measured at fair value

liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

Financial statements of Group entities within the Group are presented in functional currency and the currency of the primary economic environment in which each entity operates. Consolidated financial statements of the Group are presented in Korean won, which is the Parent Company's functional and presentation currency.

(4) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

revenue : Note 4.(22))

consolidation : Note 4.(2))

classification of lease : Note 4.(14))

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation, Continued

(4) Use of estimates and judgments, Continued

2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: allowance for doubtful accounts, estimated useful lives of property and equipment and intangible assets, impairment of goodwill, recognition of provision, measurement of defined benefit obligations, recognition of deferred tax assets (liabilities), and commitments and contingencies.

3) Fair value measurement

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

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

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

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

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

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

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

Information about assumptions used for fair value measurements are included in Note 36.

(5) Common control transactions

SK Holdings Co., Ltd. (the Ultimate Controlling Entity) is the Ultimate Controlling Entity of the Parent Company because it controls the Parent Company. Accordingly, gains and losses from business acquisitions and dispositions involving entities that are under the control of the Ultimate Controlling Entity are accounted for as common control transactions within equity.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

3. Changes in Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements.

The Group has adopted the following amendments to standards with a date of initial application of January 1, 2014.

(1) Offsetting Financial Assets and Financial Liabilities

The Group has adopted amendments to K-IFRS 1032, Offsetting Financial Assets and Financial Liabilities since January 1, 2014. The amendments clarify the meaning of currently has a legally enforceable right of set-off. According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

There is no material impact of the application of this amendment on the consolidated financial statements.

4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements in accordance with K-IFRSs are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for those as described in Note 3.

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's operating segments have been determined to be each business unit, for which the Group generates separately identifiable financial information that is regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Group has three reportable segments which consist of cellular services, fixed-line telecommunication services and others, as described in Note 5. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker does not receive any information about segment assets and liabilities

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4. Significant Accounting Policies, Continued

(2) Basis of consolidation

(i) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Consideration transferred is generally measured at fair value, identical to the measurement of identifiable net assets acquired at fair value. If goodwill incurs as a result of business combination, the Group performs impairment test on an annual basis and recognizes gain from bargain purchases through profit or loss. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received excluding costs to issue debt or equity securities recognized based on K-IFRS No. 1032 and 1039.

Consideration transferred does not include the amount settled in relation to the pre-existing relationship and the amount settled in relation to the pre-existing relationship is generally recognized through profit or loss.

Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. If contingent consideration is not classified as equity, the Group subsequently recognizes changes in fair value of contingent consideration and recognizes through profit or loss.

Entire or certain portion of market-based measure of replacement award for share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer is included in measurement of contingent considerations. Portion of a replacement award that is part of the consideration transferred for the acquiree and the portion that is remuneration for post-combination service is determined by comparing market-based measure of the awards of acquire and replacement awards that is attributable to pre-combination service.

(ii) Non-controlling interests

The Group measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets.

Changes in a Controlling Company's ownership interest in a subsidiary that do not result in the Controlling Company losing control of the subsidiary are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of an investee begins from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

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4. Significant Accounting Policies, Continued

(2) Basis of consolidation, Continued

(iv) Loss of control

If the Group loses control of a subsidiary, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognizes gain or loss associated with the loss of control attributable to the former controlling interest. Any investment retained in the former subsidiary is recognized at its fair value when control is lost.

(v) Interest in investees accounted for using the equity method

Interest in investees accounted for using the equity method composed of interest in associates and joint ventures. An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. A joint venture is a joint arrangement whereby the Group that has joint control of the arrangement have rights to the net assets of the arrangement.

The investment in an associate and a joint venture is initially recognized at cost including transaction costs and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate or the joint venture after the date of acquisition.

(vi) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group's share of unrealized gain incurred from transactions with investees accounted for using the equity method are eliminated and unrealized loss are eliminated using the same basis if there are no evidence of asset impairments.

(vii) Business combinations under common control

The assets and liabilities acquired from the combination of entities or business under common control are recognized at the carrying amounts in the ultimate controlling shareholder's consolidated financial statements. The difference between consideration and carrying amount of net assets acquired is added to or subtracted from other capital adjustments.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(4) Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory system is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and

receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(v) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

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4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of income. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

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4. Significant Accounting Policies, Continued

(6) Derivative financial instruments, including hedge accounting, Continued

(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset is impaired includes following loss events:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as default or delinquency in interest or principal payments;

the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related

to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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4. Significant Accounting Policies, Continued

(8) Property, plant and equipment, Continued

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Group's property, plant and equipment are as follows:

| | Useful lives (years) |
|--|----------------------|
| Buildings and structures | 15 ~ 40 |
| Machinery | 3 ~ 15 |
| Other property, plant and equipment (Other PP&E) | 4 ~ 10 |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(9) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial

assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

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4. Significant Accounting Policies, Continued**(10) Intangible assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Group's intangible assets are as follows:

| | Useful lives (years) |
|-----------------------|----------------------|
| Frequency use rights | 6.3 ~ 13.1 |
| Land use rights | 5 |
| Industrial rights | 5, 10 |
| Development costs | 5 |
| Facility usage rights | 10, 20 |
| Customer relations | 3 ~ 7 |
| Other | 3 ~ 20 |

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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4. Significant Accounting Policies, Continued

(11) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

(i) Grants related to assets

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

(ii) Grants related to income

Government grants which are intended to compensate the Group for expenses incurred are deducted from the related expenses.

(12) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 15~40 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(13) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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4. Significant Accounting Policies, Continued

(13) Impairment of non-financial assets, Continued

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Leases

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

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4. Significant Accounting Policies, Continued

(14) Leases, Continued

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a financial lease that it is impracticable to separate the payments reliably, the Group recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

(15) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, Impairment of Assets .

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

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4. Significant Accounting Policies, Continued

(16) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(17) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Any changes from remeasurements are recognized through profit or loss in the period in which they arise.

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4. Significant Accounting Policies, Continued

(17) Employee benefits, Continued

(iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: defined benefit plans

As of the end of reporting period, defined benefits liabilities relating to defined benefit plans are recognized as present value of defined benefit obligations net of fair value of plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligations, the Group recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of the net defined benefit liability comprise of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and recognized in other comprehensive income. The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the plan amendment or curtailment occurs, gains or losses on amendment or curtailment in benefits for the past service provided are recognized through profit or loss. The Group recognizes gain or loss on a settlement when the settlement of defined benefit plan occurs.

(v) Termination benefits

The Group recognizes a liability and expense for termination benefits at the earlier of the period when the Group can no longer withdraw the offer of those benefits and the period when the Group recognizes costs for a restructuring. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(18) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(19) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(19) Foreign currencies, Continued

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(20) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(21) Hybrid bond

The Group recognizes a financial instrument issued by the Group as an equity instrument if it does not include contractual obligation to deliver financial assets including cash to the counter party.

(22) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable. Returns, trade discounts and volume rebates are recognized as a reduction of revenue.

(i) Services

Revenue from cellular services consists of revenue from basic charges, voice charges, data charges, data-roaming services and interconnection charges. Such revenues are recognized as services are performed. Revenues received for the activation of service are deferred and recognized over the average customer retention period.

Revenue from fixed-line services includes domestic short and long distance charges, international phone connection charges, and broadband internet services. Such revenues are recognized as the related services are performed.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(22) Revenue, Continued

(ii) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to the award credits is estimated by reference to the fair value of the services to be provided with respect to the redeemable award credits. The fair value of the services to be provided with respect to the redeemable portion of the award credits granted to the customers in accordance with customer loyalty programmes is estimated taking into account the expected redemption rate and timing of the expected redemption. Considerations allocated to the award credits are deferred and revenue is recognized when the award credits are recovered and the Group performs its obligation to provide the service. The amount of revenue recognized is based on the relative size of the total award credits that are expected to be redeemed and the redeemed award credits in exchange for services.

(iv) Bundled arrangements

When the Group sells both handsets and wireless services to subscribers, the Group recognizes these transactions separately as sales for handset sales and wireless telecommunication services.

(23) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures are recognized in profit or loss using the effective interest rate method.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(24) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if (a) there is a legally enforceable right to offset the related current tax liabilities and assets, (b) they relate to income taxes levied by the same tax authority and (c) they intend to settle current tax liabilities and assets on a net basis. Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

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SK TELECOM CO., LTD. and Subsidiaries

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4. Significant Accounting Policies, Continued

(25) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(26) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(27) New standards and interpretations not yet adopted

The following amendment to existing standards has been published and are mandatory for the Group for annual periods beginning on or after July 1, 2014. The Group has not early adopted it.

As of December 31, 2014, management is not able to evaluate the impact, if any, of applying this standard on its financial position and results of operations.

1) K-IFRS 1019 Employee Benefits Employee contributions

Amendments to K-IFRS 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.

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SK TELECOM CO., LTD. and Subsidiaries

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5. Operating Segments

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

(1) Segment information as of and for the years ended December 31, 2014 and 2013 is as follows:

| <i>(In millions of won)</i> | 2014 | | | | | |
|---|------------------------------|--|---------------|---------------------------|--------------------------------------|--------------------------------|
| | Cellular Services | Fixed-line telecommu- nication services | Others | Total segments | Consolidation adjustments | Consolidated amount |
| Total revenue | 15,248,039 | 3,119,845 | 1,884,784 | 20,252,668 | (3,088,870) | 17,163,798 |
| Inter-segment revenue | 1,720,158 | 669,925 | 698,787 | 3,088,870 | (3,088,870) | |
| External revenue | 13,527,881 | 2,449,920 | 1,185,997 | 17,163,798 | | 17,163,798 |
| Depreciation and amortization | 2,113,510 | 501,623 | 99,597 | 2,714,730 | | 2,714,730 |
| Operating income (loss) | 1,754,433 | 80,423 | (9,751) | 1,825,105 | | 1,825,105 |
| Finance income and costs, net | | | | | | (260,336) |
| Gain related to investments in subsidiaries, associates and joint ventures, net | | | | | | 906,338 |
| Other non-operating income and expense, net | | | | | | (217,279) |
| Profit from continuing operations before income tax | | | | | | 2,253,828 |
| Total assets | 23,451,471 | 3,434,020 | 3,202,833 | 30,088,324 | (2,147,091) | 27,941,233 |
| Total liabilities | 9,626,724 | 2,172,454 | 924,683 | 12,723,861 | (30,898) | 12,692,963 |

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

5. Operating Segments, Continued

| <i>(In millions of won)</i> | 2013 | | | | | |
|---|------------------------------|--|---------------|---------------------------|--------------------------------------|--------------------------------|
| | Cellular Services | Fixed-line telecommu- nication services | Others | Total segments | Consolidation adjustments | Consolidated Amount |
| Total revenue | 14,501,829 | 2,972,642 | 1,741,599 | 19,216,070 | (2,614,016) | 16,602,054 |
| Inter-segment revenue | 1,186,297 | 648,253 | 779,466 | 2,614,016 | (2,614,016) | |
| External revenue | 13,315,532 | 2,324,389 | 962,133 | 16,602,054 | | 16,602,054 |
| Depreciation and amortization | 2,019,531 | 522,155 | 119,937 | 2,661,623 | | 2,661,623 |
| Operating income (loss) | 1,986,106 | 55,625 | (30,622) | 2,011,109 | | 2,011,109 |
| Finance income and costs, net | | | | | | (457,811) |
| Gain related to investments in subsidiaries, associates and joint ventures, net | | | | | | 706,509 |
| Other non-operating income and expense, net | | | | | | (432,706) |
| Profit from continuing operations before income tax | | | | | | 1,827,101 |
| Total assets | 23,263,268 | 3,288,275 | 3,075,321 | 29,626,864 | (3,050,349) | 26,576,515 |
| Total liabilities | 9,744,248 | 2,033,978 | 901,563 | 12,679,789 | (269,831) | 12,409,958 |

Intersegment sales and purchases are conducted on an arms-length basis and eliminated on consolidation. Since there are no intersegment sales of inventory, there is no unrealized intersegment profit to be eliminated on consolidation. The Group principally operates its business in its domestic market in Korea and the amounts outside of Korea are immaterial, therefore no entity-wide geographical information is presented.

No single customer contributed 10% or more to the Group's total revenue for the years ended December 31, 2014 and 2013.

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For the years ended December 31, 2014 and 2013

6. Restricted Deposits

Deposits which are restricted in use as of December 31, 2014 and 2013 are summarized as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|----------------------------------|------------------------------|------------------------------|
| Short-term financial instruments | | |
| Charitable fund(*) | 86,000 | 76,500 |
| Other | 4,321 | 5,134 |
| Long-term financial instruments | | |
| Charitable fund(*) | | 7,500 |
| Other | 612 | 89 |
| Guarantee deposits | 280 | 40 |
| | 91,213 | 89,263 |

(*) The Group established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2014, the funds cannot be withdrawn.

7. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | |
|-----------------------------|--------------------------|--------------------------------------|----------------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable trade | 2,614,059 | (221,909) | 2,392,150 |
| Short-term loans | 75,199 | (687) | 74,512 |
| Accounts receivable other | 769,115 | (78,588) | 690,527 |
| Accrued income | 10,134 | | 10,134 |
| Others | 3,865 | | 3,865 |
| | 3,472,372 | (301,184) | 3,171,188 |

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Non-current assets:

| | | | |
|-------------------------------------|-----------|-----------|-----------|
| Long-term loans | 82,735 | (27,007) | 55,728 |
| Long-term accounts receivable other | 3,596 | | 3,596 |
| Guarantee deposits | 285,144 | | 285,144 |
| Long-term accounts receivable trade | 68,536 | | 68,536 |
| | 440,011 | (27,007) | 413,004 |
| | 3,912,383 | (328,191) | 3,584,192 |

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

7. Trade and Other Receivables, Continued

(1) Details of trade and other receivables as of December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | Gross amount | December 31, 2013 Allowances for impairment | Carrying Amount |
|-------------------------------------|-------------------------|--|----------------------------|
| Current assets: | | | |
| Accounts receivable trade | 2,482,001 | (224,685) | 2,257,316 |
| Short-term loans | 80,129 | (734) | 79,395 |
| Accounts receivable other | 715,405 | (71,802) | 643,603 |
| Accrued income | 11,970 | (29) | 11,941 |
| Others | 2,548 | | 2,548 |
| | 3,292,053 | (297,250) | 2,994,803 |
| Non-current assets: | | | |
| Long-term loans | 84,176 | (26,734) | 57,442 |
| Guarantee deposits | 249,600 | | 249,600 |
| Long-term accounts receivable trade | 13,154 | | 13,154 |
| | 346,930 | (26,734) | 320,196 |
| | 3,638,983 | (323,984) | 3,314,999 |

(2) The movements in allowances for doubtful accounts of trade and other receivables during the years ended December 31, 2014 and 2013 were as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Balance at January 1 | 323,984 | 300,668 |
| Increase of bad debt allowances | 63,697 | 79,330 |
| Reversal of allowances for doubtful accounts | | (359) |
| Write-offs | (89,529) | (76,697) |
| Other | 30,039 | 21,042 |
| Balance at December 31 | 328,191 | 323,984 |

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | | December 31, 2013 | |
|----------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Accounts receivable | Other receivables | Accounts receivable | Other receivables |
| <i>(In millions of won)</i> | - trade | - receivables | - trade | - receivables |
| Neither overdue nor impaired | 1,831,243 | 1,089,001 | 1,882,607 | 938,131 |
| Overdue but not impaired | 76,671 | 3,481 | 46,773 | 2,030 |
| Impaired | 774,681 | 137,306 | 565,775 | 203,667 |
| | 2,682,595 | 1,229,788 | 2,495,155 | 1,143,828 |
| Allowances for doubtful accounts | (221,909) | (106,282) | (224,685) | (99,299) |
| | 2,460,686 | 1,123,506 | 2,270,470 | 1,044,529 |

The Group establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period, past customer default experience, customer credit status, and economic and industrial factors.

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

7. Trade and Other Receivables, Continued

- (4) The aging of overdue but not impaired accounts receivable as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | December 31, 2013 | |
|-----------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Less than 1 month | 25,254 | 1,795 | 12,036 | 20 |
| 1 ~ 3 months | 26,469 | 213 | 15,686 | 1,220 |
| 3 ~ 6 months | 11,641 | 608 | 3,610 | 516 |
| More than 6 months | 13,307 | 865 | 15,441 | 274 |
| | 76,671 | 3,481 | 46,773 | 2,030 |

8. Inventories

Details of inventories as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | | December 31, 2013 | | |
|-----------------------------|-------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
| | Acquisition cost | Write-down of inventory | Carrying amount | Acquisition cost | Write-down of inventory | Carrying amount |
| Merchandise | 252,063 | (5,325) | 246,738 | 165,080 | (3,152) | 161,928 |
| Finished goods | 1,930 | (216) | 1,714 | 1,711 | (34) | 1,677 |
| Work in process | 1,144 | (131) | 1,013 | | | |
| Raw materials and supplies | 19,242 | (1,040) | 18,202 | 13,515 | | 13,515 |
| | 274,379 | (6,712) | 267,667 | 180,306 | (3,186) | 177,120 |

There are no significant reversals of inventory write-downs for the periods presented.

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9. Investment Securities

(1) Details of short-term investment securities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|------------------------------|------------------------------|
| Beneficiary certificates(*) | 277,003 | 102,828 |
| Current portion of long-term investment securities | 3,158 | 3,240 |
| | 280,161 | 106,068 |

(*) The distributions arising from beneficiary certificates as of December 31, 2014 were accounted for as accrued income.

(2) Details of long-term investment securities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|------------------------------|------------------------------|
| Equity securities: | | |
| Marketable equity securities | 657,286 | 638,445 |
| Unlisted equity securities(*1) | 56,236 | 47,145 |
| Equity investments(*2) | 209,120 | 239,354 |
| | 922,642 | 924,944 |
| Debt securities: | | |
| Public bonds(*3) | 158 | 356 |
| Investment bonds(*4) | 36,638 | 46,467 |
| | 36,796 | 46,823 |
| Total | 959,438 | 971,767 |
| Less current portion of long-term investment securities | (3,158) | (3,240) |

| | | |
|--|---------|---------|
| Long-term investment securities | 956,280 | 968,527 |
|--|---------|---------|

(*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.

(*2) Equity investments are recorded at cost.

(*3) Details of maturity for the public bonds as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|------------------------------|------------------------------|
| Less than 1 year | 158 | 356 |

(*4) During the year ended December 31, 2014, the Parent Company exercised the conversion right for the convertible bonds of NanoEnTek, Inc., which were the Parent Company is able to exercise significant influence on NanoEnTek, Inc. classified as financial assets at fair value through profit or loss. As a result of this transaction, investments in associates have increased by 19,180 million and the difference between carrying amount of the financial assets at fair value and fair value of 1,352 million is accounted for as finance costs.

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10. Assets and Liabilities Classified as Held for Sale**(1) Subsidiary**

During the year ended December 31, 2014, the Group entered into a disposal contract regarding the Group's ownership interests in Shenzhen E-eye High Tech Co., Ltd., the Parent Company's subsidiary. Assets and liabilities of the subsidiary amounting to 10,510 million and 408 million, were reclassified to assets and liabilities held for sale, respectively, and the carrying amount in excess of the fair value less cost to sell was recognized as impairment loss.

(2) Investments in associates

Non-current assets held for sale relating to investments in associates as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|------------------------------|------------------------------|
| TR Entertainment(*1) | | 2,611 |
| SK Fans Co., Ltd.(*2) | | 1,056 |
| | | 3,667 |

(*1) A disposal contract for the Group's entire ownership interests in TR Entertainment was entered into during the year ended December 31, 2013 and the investment in the associate was reclassified to assets classified held for sale and an impairment loss of 4,019 million was recognized. During the year ended December 31, 2014, the Group disposed of its investments in TR Entertainment.

(*2) During the year ended December 31, 2013, contract changes for SK Fans Co., Ltd. was made and the Group recognized the difference between the changes and the existing contractual amount as impairment loss. During the year ended December 31, 2014, the Group disposed of its investments in SK Fans Co., Ltd.

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11. Acquisition of Subsidiary

(1) General information

The Parent Company acquired the ownership interests of Neosnetworks Co., Ltd., IRIVER LIMITED and shopkick, Inc. and they were newly included in the list of subsidiaries during the year ended December 31, 2014.

1) Neosnetworks Co., Ltd.

On April 2, 2014, the Parent Company acquired the ownership interest of 66.7% of Neosnetworks Co., Ltd., which manages facility guarding services, in order to secure new growth engine in physical security market and obtained the control over Neosnetworks Co., Ltd.

Neosnetworks Co., Ltd. recognized revenue of 25,743 million and loss of 2,277 million, respectively, from the acquisition date to December 31, 2014.

2) IRIVER LIMITED

On August 13, 2014, the Parent Company obtained ownership interests of 39.3% by acquiring 10,241,722 shares of IRIVER LIMITED from investment companies in order to develop smart phone applications and media devices such as Bluetooth speakers and ear phones for future growth and additionally acquired 4,960,317 shares by participating in the capital increase. As of the end of December 31, 2014, the Parent Company has the ownership interest of 49% of IRIVER LIMITED. After the Group acquired control over IRIVER LIMITED, IRIVER LIMITED has recognized revenue of 16,311 million and a net profit of 4,066 million.

3) shopkick, Inc.

On October 10, 2014, shopkick Management Company, Inc., of which SKP America LLC., a subsidiary of the Parent Company, has the ownership interest of 95.2%, obtained control over shopkick, Inc. by purchasing the ownership interest of 100% of shopkick, Inc. for the purpose of acquiring the platform of its mobile commerce business in the United States and expansion of the Group's global market position.

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11. Acquisition of Subsidiary, Continued

(2) Consideration paid and identifiable assets and liabilities transferred

Consideration paid and identifiable assets acquired and liabilities assumed recognized at the acquisition date are as follows:

| <i>(In millions of won)</i> | Neosnetworks Co., Ltd. | IRIVER LIMITED | shopkick, Inc. |
|---|---------------------------|-------------------|-------------------|
| Consideration paid | | | |
| Cash and cash equivalents | 23,968 | 29,503 | 230,925 |
| Other current liabilities | | | 18,686 |
| Long-term payables other (*) | 14,500 | | |
| | 38,468 | 29,503 | 249,611 |
| Assets and liabilities in succession | | | |
| Cash and cash equivalents | 16,631 | 3,098 | 13,881 |
| Accounts receivable trade, net | 111 | 11,687 | 6,541 |
| Inventories, net | | 11,780 | 727 |
| Property, equipment and intangible assets | 11,489 | 3,153 | 81,972 |
| Other assets | 1,289 | 6,824 | 6,236 |
| Accounts payable trade | (3,411) | (7,113) | (796) |
| Borrowings and debentures | (2,150) | (2,293) | |
| Other liabilities | (3,305) | (6,268) | (13,008) |
| | 20,654 | 20,868 | 95,553 |
| Controlling interests | 20,654 | 8,193 | 91,006 |
| Non-controlling interests | | 12,675 | 4,547 |

(*) During the year ended December 31, 2014, the Parent Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Parent Company entered into a shareholders agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Parent Company for those shares if certain conditions are met. In accordance with this shareholders agreement, the Group deemed that it assumed the residual equity of the pre-existing shareholders on the

acquisition date, and the amount to be paid to the pre-existing shareholders for this acquisition in the future was recorded as long-term payables-other.

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For the years ended December 31, 2014 and 2013

12. Business Combinations

(1) General information

PS&Marketing Corporation, a subsidiary of the Parent Company, acquired the retail distribution business of IT service department of SK Networks Co., Ltd. on April 30, 2014 in order to strengthen the mid/long-term distribution competitiveness by expanding the retail infrastructure and enlarging the direct management network.

Revenues and profit or loss recognized after the acquisition date by the acquired businesses of PS&Marketing Corporation are not disclosed as the estimate is practically impossible.

In January, 2013, the Parent Company acquired 50% ownership interest in SK Marketing & Company Co., Ltd., advertising and e-commerce agency, from SK Innovation Co., Ltd., a related party under common control, through the additional purchase of shares and obtained control over SK Marketing & Company Co., Ltd., and its subsidiary, M&Service Co., Ltd.

After obtaining control over SK Marketing & Company Co., Ltd, the Parent Company acquired the shares of SK Planet Co., Ltd. by investing its ownership interest of 100% of SK Marketing & Company Co., Ltd. as a form of investment in kind. On February 1, 2013, SK Planet Co., Ltd. merged with SK Marketing & Company Co., Ltd.

As the business combination which occurred during the years ended December 31, 2014 and 2013 was a business combination between entities under common control, the difference between the consideration and book value of net assets was recognized as a capital deficit and other capital adjustments.

(2) Consideration paid and assets and liabilities transferred as of the acquisition date are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Consideration paid | | |
| Cash and cash equivalents | 111,330 | 190,605 |
| Investments in associates (carrying value) | | 141,534 |
| Accounts payables other | 13,156 | |
| | 124,486 | 332,139 |
| Assets and liabilities transferred | | |
| Cash and cash equivalents | | 95,800 |
| Accounts receivable trade | 57,760 | 132,514 |
| Inventories | 94,441 | 3,472 |

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| | | |
|---|----------|-----------|
| Property and equipment, and intangible assets | 13,010 | 68,699 |
| Other assets | 23,281 | 457,431 |
| Accounts payable trade and other | (78,821) | (150,014) |
| Other liabilities | (13,826) | (337,617) |
| | 95,845 | 270,285 |

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures

- (1) Investments in associates and joint ventures accounted for using the equity method as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Country | December 31, 2014 | | December 31, 2013 | |
|---|---------------|----------------------|-----------------|----------------------|-----------------|
| | | Ownership percentage | Carrying amount | Ownership percentage | Carrying amount |
| Investments in associates | | | | | |
| SK China Company Ltd.(*1) | China | 9.6 | 35,817 | 9.6 | 37,434 |
| Korea IT Fund(*2) | Korea | 63.3 | 240,676 | 63.3 | 231,402 |
| Etoos Co., Ltd. (*3) | Korea | | | 15.6 | 12,029 |
| KEB HanaCard Co., Ltd.(*4) | Korea | 25.4 | 425,140 | 49.0 | 378,616 |
| Candle Media Co., Ltd.(*5) | Korea | 35.1 | 19,486 | 40.9 | 21,241 |
| NanoEnTek, Inc.(*6) | Korea | 26.0 | 36,527 | 9.2 | 9,312 |
| SK Industrial Development China Co., Ltd. | Hong Kong | 21.0 | 79,394 | 21.0 | 77,517 |
| Packet One Network(*1, 5) | Malaysia | 13.6 | 53,670 | 27.0 | 60,706 |
| SK Technology Innovation Company | Cayman | 49.0 | 44,052 | 49.0 | 53,874 |
| HappyNarae Co., Ltd. | Korea | 42.5 | 15,551 | 42.5 | 13,935 |
| SK hynix Inc.(*7) | Korea | 20.1 | 4,849,159 | 20.6 | 3,943,232 |
| SK MENA Investment B.V. | Netherlands | 32.1 | 14,015 | 32.1 | 13,477 |
| SKY Property Mgmt. Ltd. | Virgin Island | 33.0 | 248,534 | 33.0 | 238,278 |
| Xinan Tianlong Science and Technology Co., Ltd. | China | 49.0 | 25,874 | 49.0 | 26,562 |
| Daehan Kanggun BcN Co., Ltd. and others | | | 158,725 | | 164,976 |
| Sub-total | | | 6,246,620 | | 5,282,591 |
| Investments in joint ventures | | | | | |
| Dogus Planet, Inc.(*8) | Turkey | 50.0 | 11,441 | 50.0 | 10,105 |
| PT. Melon Indonesia | Indonesia | 49.0 | 3,564 | 49.0 | 3,230 |
| Television Media Korea Ltd. | Korea | 51.0 | 6,944 | 51.0 | 8,659 |
| Celcom Planet(*9) | Malaysia | 51.0 | 16,605 | | |
| PT XL Planet Digital | Indonesia | 50.0 | 12,914 | 50.0 | 20,712 |

| | | |
|-----------|-----------|-----------|
| Sub-total | 51,468 | 42,706 |
| Total | 6,298,088 | 5,325,297 |

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures accounted for using the equity method as of December 31, 2014 and 2013 are as follows, Continued:

- (*1) Classified as investments in associates as the Group can exercise significant influence through its participation on the board of directors even though the Group has less than 20% of equity interests.
- (*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.
- (*3) Reclassified as available-for-sale financial assets in 2014 as the Group lost the right to appoint directors of this investee and lost significant influence on the investee.
- (*4) During the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Parent Company's associate, and KEB Card Co., Ltd., the Group exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the surviving company, KEB HanaCard Co., Ltd.
- (*5) The ownership percentage has been decreased due to disproportionate paid-in capital increase during the year ended December 31, 2014.
- (*6) The carrying amount has increased due to the additional investment and the conversion of convertible bonds during the year ended December 31, 2014.
- (*7) The ownership percentage has been decreased due to the conversion of convertible bonds issued by SK hynix Inc.
- (*8) The carrying amount has increased due to the additional investment during the year ended December 31, 2014.
- (*9) During the year ended December 31, 2014, it was established for online commerce business in Malaysia.

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13. Investments in Associates and Joint Ventures, Continued

(2) The market price of investments in listed associates as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | | | December 31, 2013 | | |
|--|------------------------------------|------------------|--------------|------------------------------------|------------------|--------------|
| | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| <i>(In millions of won, except for share and per share data)</i> | | | | | | |
| Candle Media Co., Ltd. | 734 | 21,620,360 | 15,869 | 810 | 21,620,360 | 17,512 |
| NanoEnTek, Inc. | 5,710 | 5,870,290 | 33,519 | 5,170 | 1,807,130 | 9,343 |
| SK hynix Inc. | 47,750 | 146,100,000 | 6,976,275 | 36,800 | 146,100,000 | 5,376,480 |

(3) The financial information of the significant investees as of and for the years ended December 31, 2014 and 2013 is as follows:

| | As of and for the year ended December 31, 2014 | | | |
|--|--|---------------------------|-------------------------|---------------|
| | SK hynix Inc. | KEB HanaCard Co., Ltd.(*) | SKY Property Mgmt. Ltd. | Korea IT Fund |
| <i>(In millions of won)</i> | | | | |
| Current assets | 10,363,514 | 6,716,612 | 172,775 | 122,026 |
| Non-current assets | 16,519,764 | 568,065 | 667,560 | 258,144 |
| Current liabilities | 5,765,304 | 848,140 | 62,868 | |
| Non-current liabilities | 3,081,671 | 5,109,888 | 242,116 | |
| Revenue | 17,125,566 | 305,756 | 81,502 | 18,883 |
| Profit (loss) from continuing operations | 4,195,169 | (11,196) | 15,006 | 5,470 |
| Other comprehensive income (loss) | (52,360) | (734) | (6,090) | 4,837 |
| Total comprehensive income (loss) | 4,142,809 | (11,930) | 8,916 | 10,307 |

(*) Revenue and net profit of Hana SK Card Co., Ltd. for pre-merger period, amounting to 853,506 million and 3,521 million, respectively, were not included.

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures, Continued

- (3) The financial information of the significant investees as of and for the years ended December 31, 2014 and 2013 is as follows, Continued:

| <i>(In millions of won)</i> | As of and for the year ended December 31, 2013 | | | |
|-----------------------------------|---|--------------------------------------|--|------------------------------|
| | SK hynix Inc. | HanaSK Card Co., Ltd. | SKY Property Mgmt. Ltd. | Korea IT Fund |
| Current assets | 6,653,123 | 4,687,020 | 106,122 | 132,968 |
| Non-current assets | 14,144,175 | 211,376 | 695,653 | 232,566 |
| Current liabilities | 3,078,240 | 2,053,942 | 137,544 | 6 |
| Non-current liabilities | 4,652,200 | 2,155,165 | 163,540 | |
| Revenue | 14,165,102 | 853,506 | 76,834 | 8,161 |
| Profit from continuing operations | 2,872,857 | 3,521 | 14,408 | 2,128 |
| Other comprehensive income | 6,594 | 1,906 | 55,403 | |
| Total comprehensive income | 2,879,451 | 5,427 | 69,811 | 2,128 |

- (4) The condensed financial information of joint ventures as of and for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | As of and for the year ended December 31, 2014 | | | | |
|--|---|-----------------------------------|------------------------------------|-------------------------------------|--------------------------|
| | Television Media Korea Ltd. | Dogus Planet, Inc. | PT. Melon Indonesia | PT XL Planet Digital | Celcom Planet |
| Current assets | 16,252 | 38,641 | 10,022 | 9,241 | 30,407 |
| Cash and cash equivalents | 5,104 | 6 | 4,763 | 6,710 | 30,400 |
| Non-current assets | 4,543 | 13,011 | 3,094 | 14,589 | 3,343 |
| Current liabilities | 7,188 | 28,406 | 5,689 | 4,198 | 1,182 |
| Account payable, other payables and provisions | 265 | 3,648 | | | |
| Non-current liabilities | 464 | 377 | 102 | 124 | |
| Account payable, other payables and provisions | 464 | 377 | | 124 | |
| Revenue | 16,403 | 23,897 | 11,826 | 1,019 | |
| Depreciation and amortization | (3,732) | (2,402) | (928) | (1,452) | (1) |
| Interest income | 254 | 1,154 | 268 | | |
| Interest expense | | (6) | | | |

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| | | | | | |
|--|---------|----------|-----|----------|---------|
| Income tax expense | | | | (5,334) | |
| Profit (loss) from continuing operations | (3,361) | (37,146) | 523 | (15,596) | (1,479) |
| Total comprehensive income (loss) | (3,361) | (37,146) | 523 | (15,596) | (1,479) |

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13. Investments in Associates and Joint Ventures, Continued

- (4) The condensed financial information of joint ventures as of and for the years ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | As of and for the year ended December 31, 2013 | | | |
|--|---|---------------------|------------------|----------------|
| | Television | | PT. | PT XL |
| | Media Korea | Dogus | Melon | Planet |
| | Ltd. | Planet, Inc. | Indonesia | Digital |
| Current assets | 18,106 | 25,508 | 7,423 | 31,241 |
| Cash and cash equivalents | 14,532 | 10,723 | 4,428 | 30,288 |
| Non-current assets | 5,143 | 9,935 | 1,658 | 5,801 |
| Current liabilities | 6,385 | 15,471 | 2,338 | 2,133 |
| Account payable, other payables and provisions | 6,385 | 15,386 | 2,338 | 2,133 |
| Non-current liabilities | 359 | 142 | 100 | 14 |
| Account payable, other payables and provisions | 359 | 1 | | 14 |
| Revenue | 14,139 | 7,509 | 7,475 | |
| Depreciation and amortization | (4,004) | (1,315) | (397) | (84) |
| Interest income | 410 | 1,598 | 289 | 357 |
| Interest expense | | (29) | | (3) |
| Income tax expense | | | | (513) |
| Profit (loss) from continuing operations | (6,021) | (29,278) | (575) | 3,606 |
| Total comprehensive income (loss) | (6,021) | (29,278) | (575) | 3,606 |

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13. Investments in Associates and Joint Ventures, Continued

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Net assets | Ownership interests (%) | December 31, 2014 | | Carrying amount |
|-----------------------------|------------|-------------------------|--|-------------------------------|-----------------|
| | | | Net assets attributable to the ownership interests | Cost-book value differentials | |
| Associates: | | | | | |
| SK hynix Inc.(*) | 18,036,453 | 20.1 | 3,619,666 | 1,229,493 | 4,849,159 |
| KEB HanaCard Co., Ltd. | 1,326,649 | 25.4 | 337,266 | 87,874 | 425,140 |
| SKY Property Mgmt. Ltd.(*) | 527,479 | 33 | 174,068 | 74,466 | 248,534 |
| Korea IT Fund | 380,170 | 63.3 | 240,676 | | 240,676 |

| <i>(In millions of won)</i> | Net assets | Ownership interests (%) | December 31, 2013 | | Carrying amount |
|-----------------------------|------------|-------------------------|--|-------------------------------|-----------------|
| | | | Net assets attributable to the ownership interests | Cost-book value differentials | |
| Associates: | | | | | |
| SK hynix Inc.(*) | 13,066,474 | 20.6 | 2,687,806 | 1,255,426 | 3,943,232 |
| Hana SK Card Co., Ltd. | 689,290 | 49.0 | 337,752 | 40,864 | 378,616 |
| SKY Property Mgmt. Ltd.(*) | 494,004 | 33.0 | 163,021 | 75,257 | 238,278 |
| Korea IT Fund | 365,528 | 63.3 | 231,402 | | 231,402 |

- (*) These entities prepare consolidated financial statements and net assets of these entities represent net assets attributable to owners of the parent company.

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13. Investments in Associates and Joint Ventures, Continued

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Beginning balance | Acquisition and disposition | Share of profits (losses) | 2014 Other compre- hensive income (loss) | Impair- ment loss | Other increase (decrease) | Ending balance |
|--|------------------------------|--|--|---|----------------------------------|--|---------------------------|
| Investments in associates | | | | | | | |
| SK China Company Ltd. | 37,434 | | (365) | (1,252) | | | 35,817 |
| Korea IT Fund | 231,402 | | 3,243 | 6,031 | | | 240,676 |
| Etoos Co., Ltd. | 12,029 | | 346 | | | (12,375) | |
| KEB HanaCard Co., Ltd. | 378,616 | | (739) | (2,031) | | 49,294 | 425,140 |
| Candle Media Co., Ltd. | 21,241 | | (1,701) | (54) | | | 19,486 |
| NanoEnTek, Inc. | 9,312 | 7,778 | 284 | (27) | | 19,180 | 36,527 |
| SK Industrial Development China Co., Ltd. | 77,517 | | (791) | 2,668 | | | 79,394 |
| Packet One Network | 60,706 | | (11,845) | 4,809 | | | 53,670 |
| SK Technology Innovation Company | 53,874 | | (9,822) | | | | 44,052 |
| HappyNarae Co., Ltd. | 13,935 | | 1,688 | (72) | | | 15,551 |
| SK hynix Inc. | 3,943,232 | | 916,486 | (10,559) | | | 4,849,159 |
| SK MENA Investment B.V. | 13,477 | | (4) | 542 | | | 14,015 |
| SKY Property Mgmt. Ltd. | 238,278 | | 3,438 | 6,818 | | | 248,534 |
| Xinan Tianlong Science and Technology Co., Ltd. | 26,562 | | (688) | | | | 25,874 |
| Daehan Kanggun BeN Co., Ltd. and others | 164,976 | 14,172 | (18,126) | 1,324 | (2,363) | (1,258) | 158,725 |
| Sub-total | 5,282,591 | 21,950 | 881,404 | 8,197 | (2,363) | 54,841 | 6,246,620 |
| Investments in joint ventures | | | | | | | |
| Dogus Planet, Inc. | 10,105 | 19,677 | (18,573) | 232 | | | 11,441 |
| PT. Melon Indonesia | 3,230 | | 256 | 78 | | | 3,564 |
| Television Media Korea Ltd. | 8,659 | | (1,715) | | | | 6,944 |

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| | | | | | | | |
|----------------------|-----------|--------|----------|-------|---------|--------|-----------|
| Celcom Planet | | 17,433 | (656) | | | (172) | 16,605 |
| PT XL Planet Digital | 20,712 | | (7,798) | | | | 12,914 |
| Sub-total | 42,706 | 37,110 | (28,486) | 310 | | (172) | 51,468 |
| Total | 5,325,297 | 59,060 | 852,918 | 8,507 | (2,363) | 54,669 | 6,298,088 |

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13. Investments in Associates and Joint Ventures, Continued

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the year ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | Beginning balance | Acquisition and disposition | Share of profits (losses) | 2013 Other compre- hensive income (loss) | Impair- ment loss | Other increase (decrease) | Ending balance |
|--|------------------------------|--|--|---|----------------------------------|--|---------------------------|
| Investments in associates | | | | | | | |
| SK Marketing & Company Co., Ltd.(*1) | 145,333 | | (3,954) | 155 | | (141,534) | |
| SK China Company Ltd. | 37,628 | | (7,643) | 7,449 | | | 37,434 |
| Korea IT Fund | 230,016 | | 1,348 | 38 | | | 231,402 |
| JYP Entertainment Corporation (*2) | | | | | | | |
| Etoos Co., Ltd. | 4,232 | | 1,000 | 58 | | (5,290) | |
| HanaSK Card Co., Ltd. | 12,037 | | 56 | (64) | | | 12,029 |
| Candle Media Co., Ltd. | 378,457 | | (612) | 771 | | | 378,616 |
| NanoEnTek, Inc. | 21,935 | | (782) | 88 | | | 21,241 |
| SK Industrial Development China Co., Ltd. | 9,276 | | 25 | 11 | | | 9,312 |
| Packet One Network | 77,967 | | (1,037) | 587 | | | 77,517 |
| SK Technology Innovation Company | 88,389 | 25 | (2,367) | (1,843) | (23,498) | | 60,706 |
| ViKi, Inc. (*3) | 63,559 | | (9,108) | (577) | | | 53,874 |
| HappyNarae Co., Ltd. | 15,667 | (14,636) | (995) | (36) | | | |
| SK hynix Inc. | 13,113 | | 822 | | | | 13,935 |
| SK MENA Investment B.V. | 3,328,245 | | 610,201 | 4,786 | | | 3,943,232 |
| SKY Property Mgmt. Ltd. (*4) | 13,666 | | | (189) | | | 13,477 |
| Xinan Tianlong Science and Technology Co., Ltd. | | | 5,532 | 43 | | 232,703 | 238,278 |
| Daehan Kanggun BcN Co., Ltd. and others | | 25,731 | 831 | | | | 26,562 |
| | 170,747 | 26,257 | (17,899) | (4,291) | (5,547) | (4,291) | 164,976 |

| | | | | | | | |
|--------------------------------------|-----------|--------|----------|---------|----------|--------|-----------|
| Sub-total | 4,610,267 | 37,377 | 575,418 | 6,986 | (29,045) | 81,588 | 5,282,591 |
| Investments in joint ventures | | | | | | | |
| Dogus Planet, Inc. | 6,006 | 21,428 | (13,027) | (4,302) | | | 10,105 |
| PT. Melon Indonesia | 4,447 | | (282) | (935) | | | 3,230 |
| Television Media Korea Ltd. | 11,757 | | (3,098) | | | | 8,659 |
| PT XL Planet Digital | | 19,713 | 1,549 | | | (550) | 20,712 |
| Sub-total | 22,210 | 41,141 | (14,858) | (5,237) | | (550) | 42,706 |
| Total | 4,632,477 | 78,518 | 560,560 | 1,749 | (29,045) | 81,039 | 5,325,297 |

(*1) The entity was merged into SK Planet Co., Ltd., a subsidiary of the Parent Company during the year ended December 31, 2013.

(*2) JYP Entertainment Corporation was excluded from list of investments in associates as Loen Entertainment, Inc., which has ownership interests in JYP Entertainment Corporation, was excluded from consolidation scope.

(*3) Viki Inc. was sold during the year ended December 31, 2013.

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13. Investments in Associates and Joint Ventures, Continued

(6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the year ended December 31, 2014 and 2013 are as follows, Continued:

(*4) Investments in SKY Property Mgmt. Ltd. was reclassified from subsidiaries to investments to associates as portion of ownership interests were disposed during the year ended December 31, 2013.

(7) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Unrealized loss | | Unrealized change in equity | |
|--|-------------------|-------------|-----------------------------|-------------|
| | Year ended | Accumulated | Year ended | Accumulated |
| | December 31, 2014 | | December 31, 2014 | |
| ULand Company Limited | 178 | 1,731 | 34 | 31 |
| Wave City Development Co., Ltd. and others | 1,508 | 5,229 | | 334 |
| | 1,686 | 6,960 | 34 | 365 |

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14. Property and Equipment

(1) Property and equipment as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | | Carrying amount |
|-----------------------------|-------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | |
| Land | 766,780 | | | 766,780 |
| Buildings | 1,537,042 | (603,175) | | 933,867 |
| Structures | 737,494 | (384,705) | | 352,789 |
| Machinery | 27,088,067 | (19,775,784) | (1,468) | 7,310,815 |
| Other | 1,461,201 | (960,450) | (1,701) | 499,050 |
| Construction in progress | 704,400 | | | 704,400 |
| | 32,294,984 | (21,724,114) | (3,169) | 10,567,701 |

| <i>(In millions of won)</i> | December 31, 2013 | | | Carrying amount |
|-----------------------------|-------------------|--------------------------|-----------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | |
| Land | 732,206 | | | 732,206 |
| Buildings | 1,510,846 | (554,155) | | 956,691 |
| Structures | 716,724 | (351,773) | | 364,951 |
| Machinery | 24,994,337 | (18,145,580) | (1,698) | 6,847,059 |
| Other | 1,428,159 | (894,217) | (761) | 533,181 |
| Construction in progress | 762,519 | | | 762,519 |
| | 30,144,791 | (19,945,725) | (2,459) | 10,196,607 |

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14. Property and Equipment, Continued

(2) Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | Impairment | Classified as held Business for combinat- ion | | Ending balance |
|-----------------------------|-------------------|-------------|----------|-------------|--------------|------------|---|--------|----------------|
| | | | | | | | for sale | ion | |
| Land | 732,206 | 8,306 | (12) | 24,178 | | | | 2,102 | 766,780 |
| Buildings | 956,691 | 5,862 | (451) | 16,885 | (48,745) | | | 3,625 | 933,867 |
| Structures | 364,951 | 8,909 | (39) | 11,919 | (32,951) | | | | 352,789 |
| Machinery | 6,847,059 | 572,764 | (28,101) | 1,979,590 | (2,065,368) | (2,879) | (6) | 7,756 | 7,310,815 |
| Other | 533,181 | 1,124,067 | (6,188) | (1,022,999) | (135,213) | (49) | (245) | 6,496 | 499,050 |
| Construction in progress | 762,519 | 1,101,691 | (11,277) | (1,147,666) | | (691) | (176) | | 704,400 |
| | 10,196,607 | 2,821,599 | (46,068) | (138,093) | (2,282,277) | (3,619) | (427) | 19,979 | 10,567,701 |

| <i>(In millions of won)</i> | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | Impairment | Change of consolidation scope | | Ending balance |
|-----------------------------|-------------------|-------------|----------|-------------|--------------|------------|-------------------------------|-------|----------------|
| | | | | | | | scope | scope | |
| Land | 704,908 | 6,865 | (200) | 15,545 | | | | 5,088 | 732,206 |
| Buildings | 886,371 | 1,128 | (177) | 112,827 | (47,429) | | | 3,971 | 956,691 |
| Structures | 363,484 | 17,850 | (18) | 17,001 | (33,366) | | | | 364,951 |
| Machinery | 6,316,192 | 582,593 | (13,183) | 1,951,267 | (1,990,850) | | | 1,040 | 6,847,059 |
| Other | 637,212 | 1,190,739 | (7,032) | (1,157,150) | (133,682) | | | 3,094 | 533,181 |
| Construction in progress | 804,552 | 1,113,576 | (31,146) | (1,131,703) | | (1,275) | 8,515 | | 762,519 |
| | 9,712,719 | 2,912,751 | (51,756) | (192,213) | (2,205,327) | (1,275) | 21,708 | | 10,196,607 |

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For the years ended December 31, 2014 and 2013

15. Investment Property

(1) Investment property as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | |
|-----------------------------|-----------------------------|-------------------------------------|----------------------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | 10,418 | | 10,418 |
| Buildings | 7,379 | (2,800) | 4,579 |
| | 17,797 | (2,800) | 14,997 |

| <i>(In millions of won)</i> | December 31, 2013 | | |
|-----------------------------|-----------------------------|-------------------------------------|----------------------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | 10,822 | | 10,822 |
| Buildings | 7,657 | (2,668) | 4,989 |
| | 18,479 | (2,668) | 15,811 |

(2) Changes in investment property for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Beginning balance | 2014 | | Ending balance |
|-----------------------------|------------------------------|-----------------|---------------------|---------------------------|
| | | Transfer | Depreciation | |
| Land | 10,822 | (404) | | 10,418 |
| Buildings | 4,989 | (172) | (238) | 4,579 |
| | 15,811 | (576) | (238) | 14,997 |

| <i>(In millions of won)</i> | Beginning balance | Transfer | 2013 | |
|-----------------------------|--------------------------|-----------------|---------------------|-----------------------|
| | | | Depreciation | Ending balance |
| Land | 12,638 | (1,816) | | 10,822 |

| | | | | |
|-----------|--------|----------|---------|--------|
| Buildings | 14,841 | (8,737) | (1,115) | 4,989 |
| | 27,479 | (10,553) | (1,115) | 15,811 |

(3) Fair value of investment property as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | December 31, 2013 | |
|-----------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Land | 10,418 | 6,056 | 10,822 | 6,595 |
| Buildings | 4,579 | 4,288 | 4,989 | 4,737 |
| | 14,997 | 10,344 | 15,811 | 11,332 |

The fair value of investment property was appraised on the basis of market price by an independent appraisal company.

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For the years ended December 31, 2014 and 2013

15. Investment Property, Continued

(4) Income (expense) from investment property for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Rent revenue | 896 | 1,373 |
| Operating expense | (239) | (476) |

16. Goodwill

(1) Goodwill as of December 31, 2014 and 2013 is as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|------------------------------|------------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236 | 1,306,236 |
| Goodwill related to acquisition of SK Broadband Co., Ltd. | 358,443 | 358,443 |
| Other goodwill | 252,916 | 68,582 |
| | 1,917,595 | 1,733,261 |

Goodwill is allocated to the following CGUs for the purpose of impairment testing.

Shinsegi Telecom, Inc.(*1): cellular services

SK Broadband Co., Ltd.(*2): fixed-line telecommunication services

Other: other

(*1) Shinsegi Telecom, Inc.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.2% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 1.8% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Group's long-term wireless telecommunication business growth rate. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

(*2) Goodwill related to acquisition of SK Broadband Co., Ltd.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 5.2% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 2.2%, the Group's long-term fixed-line telecommunication business growth rate, was applied for the cash flows expected to be incurred after five years. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

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For the years ended December 31, 2014 and 2013

16. Goodwill, Continued

(2) Details of changes in goodwill for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| Beginning balance | 1,733,261 | 1,744,483 |
| Increase due to business acquisition | 193,202 | 1,252 |
| Impairment loss | (8,868) | (9,981) |
| Other(*) | | (2,493) |
| | 1,917,595 | 1,733,261 |

(*) Other decrease represents effects of exchange rate changes in relation to the foreign subsidiaries and reclassification of assets held for sale.

Accumulated impairment losses for the years ended December 31, 2014 and 2013 are 18,849 million and 9,881 million, respectively.

17. Intangible Assets

(1) Intangible assets as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | Carrying amount |
|-----------------------------|-------------------------|---------------------------------|-------------------------------|------------------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 3,033,879 | (1,649,835) | | 1,384,044 |
| Land use rights | 64,136 | (38,783) | | 25,353 |
| Industrial rights | 144,497 | (36,737) | | 107,760 |
| Development costs | 162,493 | (144,215) | (9,947) | 8,331 |
| Facility usage rights | 146,112 | (93,476) | | 52,636 |
| Customer relations | 17,147 | (10,743) | | 6,404 |
| Memberships(*1) | 128,274 | | (34,155) | 94,119 |
| Other(*2) | 3,029,590 | (2,223,627) | (616) | 805,347 |

| | | | | |
|--|-----------|-------------|----------|-----------|
| | 6,726,128 | (4,197,416) | (44,718) | 2,483,994 |
|--|-----------|-------------|----------|-----------|

| <i>(In millions of won)</i> | 2013 | | | Carrying amount |
|-----------------------------|------------------|--------------------------|------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 3,033,879 | (1,369,308) | | 1,664,571 |
| Land use rights | 48,031 | (31,441) | | 16,590 |
| Industrial rights | 91,027 | (32,264) | | 58,763 |
| Development costs | 148,714 | (126,912) | (11,675) | 10,127 |
| Facility usage rights | 143,937 | (85,109) | | 58,828 |
| Customer relations | 14,222 | (7,889) | | 6,333 |
| Memberships(*1) | 128,452 | | | 128,452 |
| Other(*2) | 2,747,121 | (1,938,936) | (1,067) | 807,118 |
| | 6,355,383 | (3,591,859) | (12,742) | 2,750,782 |

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For the years ended December 31, 2014 and 2013

17. Intangible Assets, Continued

(1) Intangible assets as of December 31, 2014 and 2013 are as follows, Continued:

(*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(*2) Other intangible assets consist of computer software and usage rights to a research facility which the Group built and donated to a university and the Group is given rights-to-use for a definite number of years.

(2) Details of changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | | | | Change of consolidation scope | Ending balance |
|-----------------------------|--------------------------|--------------------|-----------------|-----------------|---------------------|-------------------|--------------------------------------|-----------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | Impairment | | |
| Frequency use rights | 1,664,571 | | | | (280,527) | | | 1,384,044 |
| Land use rights | 16,590 | 15,560 | (573) | | (8,483) | | 2,259 | 25,353 |
| Industrial rights | 58,763 | 5,048 | (180) | | (4,584) | | 48,713 | 107,760 |
| Development costs | 10,127 | 1,253 | (25) | 63 | (4,048) | (398) | 1,359 | 8,331 |
| Facility usage rights | 58,828 | 1,890 | (30) | 382 | (8,434) | | | 52,636 |
| Customer relations | 6,333 | 779 | | (39) | (3,063) | | 2,394 | 6,404 |
| Memberships(*) | 128,452 | 5,629 | (5,810) | (264) | | (34,155) | 267 | 94,119 |
| Other | 807,118 | 102,322 | (9,919) | 171,858 | (300,216) | (449) | 34,633 | 805,347 |
| | 2,750,782 | 132,481 | (16,537) | 172,000 | (609,355) | (35,002) | 89,625 | 2,483,994 |

(*) The Group recognized the difference between recoverable amount and the carrying amount of memberships, amounting to 34,155 million as impairment loss for the year ended December 31, 2014.

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17. Intangible Assets, Continued

- (2) Details of changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | 2013 | | | | | | | Ending balance |
|-----------------------------|--------------------------|--------------------|-----------------|-----------------|---------------------|-------------------|--------------------------------------|-----------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | Impairment | Change of consolidation scope | |
| Frequency use rights(*) | 1,693,868 | 1,046,833 | (814,213) | | (261,917) | | | 1,664,571 |
| Land use rights | 16,062 | 7,378 | (279) | | (6,571) | | | 16,590 |
| Industrial rights | 60,104 | 2,045 | (75) | 485 | (3,674) | | (122) | 58,763 |
| Development costs | 13,420 | 594 | | 650 | (5,230) | (1,448) | 2,141 | 10,127 |
| Facility usage rights | 65,340 | 1,930 | (75) | 9 | (8,376) | | | 58,828 |
| Customer relations | 48,886 | 1,293 | | 1,856 | (45,702) | | | 6,333 |
| Memberships | 118,954 | 2,828 | (997) | | | | 7,667 | 128,452 |
| Other | 673,024 | 111,972 | (21,751) | 325,529 | (291,870) | (1,695) | 11,909 | 807,118 |
| | 2,689,658 | 1,174,873 | (837,390) | 328,529 | (623,340) | (3,143) | 21,595 | 2,750,782 |

- (*) The Group newly acquired 1.8GHz frequency use rights through auction during the year ended December 31, 2013 and returned the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Group recognized 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

- (3) Research and development expenditures recognized as expense for the years ended December 31, 2014 and 2013 are as follows:

2014**2013**

| | | |
|---|---------|---------|
| Research and development costs expensed as incurred | 390,943 | 352,385 |
|---|---------|---------|

- (4) The carrying amount and residual useful lives of frequency usage rights as of the year ended December 31, 2014 are as followed, all of which are depreciated on a straight-line basis:

| <i>(In millions of won)</i> | Amount | Description | Commencement of amortization | Completion of amortization |
|-----------------------------|---------------|---|-------------------------------------|-----------------------------------|
| W-CDMA license | 198,542 | Frequency use rights relating to W-CDMA service | Dec. 2003 | Dec. 2016 |
| W-CDMA license | 32,622 | Frequency use rights relating to W-CDMA service | Oct. 2010 | Dec. 2016 |
| 800MHz license | 263,536 | Frequency use rights relating to CDMA and LTE service | Jul. 2011 | Jun. 2021 |
| 1.8GHz license | 879,340 | Frequency use rights relating to LTE service | Sep. 2013 | Dec. 2021 |
| WiBro license | 10,004 | WiBro service | Mar. 2012 | Mar. 2019 |
| | 1,384,044 | | | |

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For the years ended December 31, 2014 and 2013

18. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Lender | Annual interest rate (%) | December 31, 2014 | December 31, 2013 |
|-----------------------------|------------------------------------|---------------------------------|--------------------------|--------------------------|
| CP | Samsung Securities Co., Ltd., etc. | 2.16~3.09 | 206,000 | 200,000 |
| Short-term borrowings | Korea Development Bank | 2.48~4.28 | 160,600 | 60,000 |
| | | | 366,600 | 260,000 |

(2) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

Billions of won, thousands of U.S. dollars and thousands of Chinese

| | Annual interest rate (%) | Maturity | December 31, 2014 | December 31, 2013 |
|--|---------------------------------|-----------------|--------------------------|--------------------------|
| Korea Development Bank | 3.19 | Jun. 16, 2014 | | 1,712 |
| Industrial Bank of Japan | 2.77 | Jun. 15, 2015 | 1,712 | 5,000 |
| Industrial Bank of Japan | 2.77 | Jun. 15, 2016 | 4,874 | 8,000 |
| Industrial Bank of Japan | 2.77 | Mar. 15, 2017 | 4,496 | 5,000 |
| Industrial Bank of Japan | 2.77 | Mar. 15, 2018 | 8,600 | 8,000 |
| Industrial Bank(*1) | 6M bank debenture rate+1.58 | Apr. 30, 2016 | 10,000 | |
| SK Finance Corporation | 3.32 | Jul. 30, 2019 | 39,000 | |
| SK Finance Corporation | 2.94 | Jul. 30, 2019 | 10,000 | |
| SK Creditnamnden(*2) | 1.7 | Apr. 29, 2022 | 94,903 | 99,000 |
| | | | (USD 86,338) | (USD 94,000) |
| Total | | | 173,585 | 129,000 |
| Present value discount on long-term borrowings | | | (2,623) | (3,000) |
| | | | 170,962 | 126,000 |

| | | |
|---|----------|------|
| current portion of long-term borrowings | (21,242) | (21, |
| long-term borrowings | 149,720 | 104, |

(*1) As of December 31, 2014, the 6M bank debenture rate of Shinhan Bank is 2.17%.

(*2) For the years ended December 31, 2014 and 2013, the Group obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installments on an annual basis from 2014 to 2022.

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows:

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

| | Purpose | Maturity | Annual interest rate (%) | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------------|-----------------|---------------------------------|--------------------------|--------------------------|
| Unsecured private bonds | Refinancing fund | 2016 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2014 | 5.00 | | 200,000 |
| Unsecured private bonds | Other fund | 2015 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2018 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2016 | 5.54 | 40,000 | 40,000 |
| Unsecured private bonds | | 2016 | 5.92 | 230,000 | 230,000 |
| Unsecured private bonds | Operating fund | 2016 | 3.95 | 110,000 | 110,000 |
| Unsecured private bonds | | 2021 | 4.22 | 190,000 | 190,000 |
| Unsecured private bonds | Operating and refinancing fund | 2019 | 3.24 | 170,000 | 170,000 |
| Unsecured private bonds | | 2022 | 3.30 | 140,000 | 140,000 |
| Unsecured private bonds | | 2032 | 3.45 | 90,000 | 90,000 |
| Unsecured private bonds | Operating fund | 2023 | 3.03 | 230,000 | 230,000 |
| Unsecured private bonds | | 2033 | 3.22 | 130,000 | 130,000 |
| Unsecured private bonds | | 2019 | 3.30 | 50,000 | |
| Unsecured private bonds | | 2024 | 3.64 | 150,000 | |
| Unsecured private bonds(*6) | | 2029 | 4.73 | 55,188 | |
| Unsecured private bonds(*6) | | 2029 | 4.72 | 55,177 | |
| Unsecured private bonds | Refinancing fund | 2019 | 2.53 | 160,000 | |
| Unsecured private bonds | | 2021 | 2.66 | 150,000 | |
| Unsecured private bonds | | 2024 | 2.82 | 190,000 | |
| Unsecured private bonds(*1) | Operating fund | 2014 | 4.86 | | 20,000 |
| Unsecured private bonds(*1) | | 2015 | 4.62 | 10,000 | 10,000 |
| Unsecured private bonds(*2) | | 2014 | 4.53 | | 290,000 |
| Unsecured private bonds(*2) | | 2014 | 4.40 | | 100,000 |
| Unsecured private bonds(*2) | | 2015 | 4.09 | 110,000 | 110,000 |
| Unsecured private bonds(*2) | | 2015 | 4.14 | 110,000 | 110,000 |
| Unsecured private bonds(*2) | | 2017 | 4.28 | 100,000 | 100,000 |
| Unsecured private bonds(*2) | | 2015 | 3.14 | 130,000 | 130,000 |
| Unsecured private bonds(*2) | | 2017 | 3.27 | 120,000 | 120,000 |

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| | | | | | |
|-----------------------------------|------------------|------|-----------------|---------------|---------------|
| Unsecured private bonds(*2) | | 2016 | 3.05 | 80,000 | |
| Unsecured private bonds(*2) | | 2019 | 3.49 | 210,000 | |
| Unsecured private bonds(*2) | | 2019 | 2.76 | 130,000 | |
| Unsecured private bonds(*3) | | 2015 | 3.12 | 10,000 | |
| Unsecured private bonds(*3) | | 2016 | 3.24 | 10,000 | |
| Unsecured private bonds(*3) | | 2017 | 3.48 | 20,000 | |
| Foreign global bonds | | 2027 | 6.63 | 439,680 | 422,120 |
| | | | | (USD 400,000) | (USD 400,000) |
| Exchangeable bonds(*5) | Refinancing fund | 2014 | 1.75 | | 96,147 |
| | | | | | (USD 91,109) |
| Floating rate notes | Operating fund | 2014 | 3M Libor + 1.60 | | 263,825 |
| | | | | | (USD 250,000) |
| Floating rate notes | | 2014 | SOR rate + 1.20 | | 54,129 |
| | | | | | (SGD 65,000) |
| Swiss unsecured private bonds | | 2017 | 1.75 | 333,429 | 356,601 |
| | | | | (CHF 300,000) | (CHF 300,000) |
| Foreign global bonds | | 2018 | 2.13 | 769,440 | 738,710 |
| | | | | (USD 700,000) | (USD 700,000) |
| Australia unsecured private bonds | | 2017 | 4.75 | 269,727 | 281,988 |
| | | | | (AUD 300,000) | (AUD 300,000) |

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued :

(In millions of won, thousands of U.S. dollars and

| <i>thousands of other currencies)</i> | Purpose | Maturity | Annual interest rate (%) | December 30, 2014 | December 31, 2013 |
|---------------------------------------|----------------|-----------------|---------------------------------|--------------------------|--------------------------|
| Floating rate notes(*4) | Operating fund | 2020 | 3M Libor + 0.88 | 329,760 (USD 300,000) | 316,590 (USD 300,000) |
| Foreign global bonds(*2) | | 2018 | 2.88 | 329,760 (USD 300,000) | 316,590 (USD 300,000) |
| Sub-total | | | | 6,252,161 | 5,966,700 |
| Less discounts on bonds | | | | (33,531) | (40,228) |
| | | | | 6,218,630 | 5,926,472 |
| Less current portion of bonds | | | | (569,472) | (1,020,893) |
| | | | | 5,649,158 | 4,905,579 |

(*1) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.

(*2) Unsecured private bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.

(*3) Unsecured private bonds were issued by PS&Marketing Corporation, a subsidiary of the Parent Company.

(*4) As of December 31, 2014, 3M Libor rate is 0.23%.

(*5) On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Group may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Group's

voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Group will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and redeemed by cash during the year ended December 31, 2014.

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued :

(*6) The Group settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 10,365 million as of December 31, 2014.

19. Long-term Payables Other

(1) Long-term payables other as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Payables related to acquisition of W-CDMA licenses | 657,001 | 828,721 |
| Other(*) | 27,566 | 9,864 |
| | 684,567 | 838,585 |

(*) Other includes vested compensation claims of employees who have rendered long-term service, etc.

(2) As of December 31, 2014 and 2013, long-term payables other consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 2.3GHz and 1.8GHz frequencies as follows:

| <i>(In millions of won)</i> | Period of repayment | Coupon rate(*1) | Annual effective interest rate(*2) | December 31, 2014 | December 31, 2013 |
|-----------------------------|----------------------------|------------------------|---|--------------------------|--------------------------|
|-----------------------------|----------------------------|------------------------|---|--------------------------|--------------------------|

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| | | | | | |
|--|-----------|------------|------------|-----------|-----------|
| 2.1GHz | 2012~2014 | 3.58% | 5.89% | | 17,533 |
| 800MHz | 2013~2015 | 3.51% | 5.69% | 69,416 | 138,833 |
| 2.3GHz | 2014~2016 | 3.00% | 5.80% | 5,766 | 8,650 |
| 1.8GHz | 2012~2021 | 2.43~3.00% | 4.84~5.25% | 824,841 | 942,675 |
| | | | | 900,023 | 1,107,691 |
| Present value discount on long-term payables other | | | | (53,633) | (72,170) |
| | | | | 846,390 | 1,035,521 |
| Current portion of long-term payables other | | | | (189,389) | (206,800) |
| Carrying amount at December 31 | | | | 657,001 | 828,721 |

(*1) The Group applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

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

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19. Long-term Payables Other, continued

- (3) The repayment schedule of long-term payables other related to acquisition of W-CDMA licenses as of December 31, 2014 is as follows:

| <i>(In millions of won)</i> | Amount |
|-----------------------------|----------------|
| Less than 1 year | 190,134 |
| 1~3 years | 238,552 |
| 3~5 years | 235,669 |
| More than 5 years | 235,668 |
| | 900,023 |

20. Provisions

- (1) Changes in provisions for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | For the year ended December 31, 2014 | | | | | As of December 31, 2014 | | |
|-----------------------------------|---|-----------------|--------------------|-----------------|--------------|--------------------------------|----------------|--------------------|
| | Beginning balance | Increase | Utilization | Reversal | Other | Ending balance | Current | Non-current |
| Provision for handset subsidy(*1) | 53,923 | 41,802 | (68,926) | | | 26,799 | 14,844 | 11,955 |
| Provision for restoration (*2) | 40,507 | 20,098 | (702) | (34) | (142) | 59,727 | 35,865 | 23,862 |
| Other provisions | 451 | 155 | (225) | | 181 | 562 | 366 | 196 |
| | 94,881 | 62,055 | (69,853) | (34) | 39 | 87,088 | 51,075 | 36,013 |

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20. Provisions, Continued

(1) Changes in provisions for the years ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | Beginning balance | For the year ended December 31, 2013 | | | | Ending balance | As of December 31, 2013 | |
|----------------------------------|----------------------|--------------------------------------|-------------|----------|-------|-------------------|-------------------------|-------------|
| | | Increase | Utilization | Reversal | Other | | Current | Non-current |
| Provision for handset subsidy | 353,383 | 9,416 | (308,876) | | | 53,923 | 53,334 | 589 |
| Provision for restoration | 39,895 | 5,679 | (712) | (4,211) | (144) | 40,507 | 13,441 | 27,066 |
| Other provisions | 590 | | (85) | (17) | (37) | 451 | | 451 |
| | 393,868 | 15,095 | (309,673) | (4,228) | (181) | 94,881 | 66,775 | 28,106 |

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

(*2) In the course of the Group's activities, base station and other assets are utilized on leased premises which are expected to have costs associated with restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements. The Group records these restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

(2) The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

| | Key assumptions |
|-------------------------------|--|
| Provision for handset subsidy | estimation based on historical service retention period data |
| Provision for restoration | |

estimation based on inflation assuming demolition of the relevant assets after six years

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21. Leases

(1) Finance Leases

The Group has leased telecommunication equipment under finance lease agreements with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|------------------------------|------------------------------|
| Finance Lease Liabilities | | |
| Current portion of long-term finance lease liabilities | 3,804 | 19,351 |
| Long-term finance lease liabilities | 26 | 3,867 |
| | 3,830 | 23,218 |

The Group's related interest and principal as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | December 31, 2013 | |
|--|--------------------------------------|--------------------------|--------------------------------------|--------------------------|
| | Minimum lease payment | Present value | Minimum lease payment | Present value |
| Less than 1 year | 3,909 | 3,804 | 20,039 | 19,351 |
| 1~5 years | 26 | 26 | 3,974 | 3,867 |
| Sub-total | 3,935 | 3,830 | 24,013 | 23,218 |
| Current portion of long-term finance lease liabilities | | (3,804) | | (19,351) |
| Long-term finance lease liabilities | | 26 | | 3,867 |

(2) Operating Leases

The Group entered into operating leases and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues as of December 31, 2014 and 2013 (included in other non-operating income in the accompanying consolidated statements of income) are as follows:

| <i>(In millions of won)</i> | 2014 | | 2013 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | Lease payments | Lease revenues | Lease payments | Lease revenues |
| Less than 1 year | 29,233 | 3,496 | 32,842 | 2,422 |
| 1~5 years | 76,306 | 1,390 | 72,236 | 1,074 |
| More than 5 years | 49,582 | 1,043 | 65,013 | 1,026 |
| | 155,121 | 5,929 | 170,091 | 4,522 |

(3) Sale and Leaseback Transaction

For the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is accounted for as an operating lease and the gain on disposal of the property and equipment is recognized in profit or loss. The Group recognized 14,075 million and 13,703 million of lease payments in relation to this lease agreement and 2,469 million and 269 million of lease revenues in relation to the sublease agreement for the years ended December 31, 2014 and 2013, respectively. Expected future lease payments and lease revenues are included in Note 21-(2).

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22. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | 437,844 | 312,494 |
| Fair value of plan assets | (346,257) | (238,293) |
| | 91,587 | 74,201 |

(2) Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Discount rate for defined benefit obligations | 2.23% ~ 3.70% | 3.06% ~ 4.34% |
| Expected rate of salary increase | 2.51% ~ 7.39% | 3.05% ~ 6.27% |

Discount rate for defined benefit obligations is determined based on the Group's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligations. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | For the year ended December 31 | |
|----------------------------------|---------------------------------------|-------------|
| | 2014 | 2013 |
| Beginning balance | 312,494 | 244,866 |
| Current service cost | 109,625 | 89,802 |
| Interest cost | 12,630 | 9,370 |
| Remeasurement | | |
| - Demographic assumption | 2,859 | (394) |
| - Financial assumption | 28,287 | (12,371) |
| - Adjustment based on experience | 9,932 | 6,475 |

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| | | |
|----------------|----------|----------|
| Benefit paid | (46,531) | (42,948) |
| Others(*) | 8,548 | 17,694 |
| Ending balance | 437,844 | 312,494 |

(*) Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of 2,939 million, liabilities of 4,433 million succeeded due to transfer of employees from associates, and transfer to construction in progress, etc. Others for the year ended December 31, 2013 include the effect of changes in the consolidation scope of (4,141) million, liabilities of 14,703 million succeeded due to business combination and transfer to construction in progress, etc.

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22. Defined Benefit Liabilities, Continued

(4) Changes in plan assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Beginning balance | 238,293 | 158,345 |
| Interest income | 9,538 | 6,332 |
| Actuarial gain | 50 | 122 |
| Contributions by employer directly to plan assets | 117,558 | 85,683 |
| Benefits paid | (20,711) | (23,827) |
| Others(*) | 1,529 | 11,638 |
| Ending balance | 346,257 | 238,293 |

(*) Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of 1,221 million. Others for the year ended December 31, 2013 include the effect of changes in the consolidation scope of (3,074) million and assets of 14,334 million succeeded due to business combination.

The Group expects to make a contribution of 82,062 million to the defined benefit plans during the next financial year.

(5) Expenses recognized in profit and loss (included in labor cost in the accompanying consolidated statements of income) and capitalized into construction-in-progress for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Current service cost | 109,625 | 89,802 |
| Net interest cost | 3,092 | 3,038 |
| | 112,717 | 92,840 |

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

(6) Details of plan assets as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Equity instruments | 1,746 | 713 |
| Debt instruments | 70,778 | 48,901 |
| Short-term financial instruments, etc. | 273,733 | 188,679 |
| | 346,257 | 238,293 |

Actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to 9,588 million and 6,472million, respectively.

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22. Defined Benefit Liabilities, Continued

- (7) As of December 31, 2014, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

| <i>(In millions of won)</i> | Increase | Decrease |
|--|-----------------|-----------------|
| Discount rate (if changed by 0.5%) | (17,290) | 17,988 |
| Expected salary increase rate (if changed by 0.5%) | 18,064 | (17,431) |

The sensitivity analysis does not consider dispersion of all cash flows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

Weighted average durations of defined benefit obligations as of December 31, 2014 and 2013 are 9.10 years and 9.12 years, respectively.

23. Derivative Instruments

- (1) Currency swap contracts under cash flow hedge accounting as of December 31, 2014 are as follows:

*(In thousands of
foreign
currencies)*

| Borrowing date | Hedged item | Hedged risk | Contract type | Financial institution | Duration of contract |
|-----------------------|---|-----------------------|----------------------|-------------------------------------|----------------------------------|
| Jul. 20, 2007 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds) | Foreign currency risk | Currency swap | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| | face value of USD 400,000) | | | | |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | Foreign currency risk | Currency swap | Citibank and five other banks | Jun. 12, 2012 ~ Jun.12, 2017 |

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| | | | | | |
|---------------|--|--|-----------------------------|-----------------------------------|-------------------------------------|
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | Foreign currency risk | Currency swap | Barclays and nine other banks | Nov. 1, 2012~ May 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | Foreign currency risk | Currency swap | BNP Paribas and three other banks | Jan. 17, 2013 ~ Nov. 17, 2017 |
| Mar. 7, 2013 | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | Foreign currency risk and the interest rate risk | Currency interest rate swap | DBS Bank | Mar. 7, 2013 ~ Mar. 7, 2020 |
| Oct. 29, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000) | Foreign currency risk | Currency swap | Korea Development Bank and others | Oct. 29, 2013 ~ Oct. 26, 2018 |
| Dec. 16, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of USD 86,338) | Foreign currency risk | Currency swap | Deutsche bank | Dec. 16, 2013 ~ Apr. 29, 2022 |

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23. Derivative Instruments, Continued

- (2) As of December 31, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

| <i>(In millions of won and thousands of foreign currencies)</i> | Accumulated gain (loss) on valuation of derivatives | Fair value Cash flow hedge | | Others (*) | Held for trading purpose | Total |
|--|--|---------------------------------------|---|------------------------|---|---------------|
| | | Tax effect | Accumulated foreign currency translation (gain) loss | | | |
| Hedged item | | | | | | |
| Non-current assets: | | | | | | |
| Structured bond(face value of KRW 100,000) | | | | | 8,713 | 8,713 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | (40,360) | (12,886) | (17,545) | 129,806 | | 59,015 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000) | 8,895 | | (6,588) | | | 2,307 |
| Total assets | | | | | | 70,035 |
| Non-current liabilities: | | | | | | |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | (8,725) | (2,786) | (29,993) | | | (41,504) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | (22,903) | (7,312) | 6,058 | | | (24,157) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | 2,588 | 826 | (65,496) | | | (62,082) |
| Fixed-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | (4,369) | (1,395) | 4,668 | | | (1,096) |

| | | | | |
|--|---------|---------|-------|------------------|
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 86,338) | (4,439) | (1,417) | 3,806 | (2,050) |
| Total liabilities | | | | (130,889) |

(*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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24. Share Capital and Capital Surplus (Deficit) and Other Capital Adjustments

The Parent Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won, except for share data)</i> | December 31, 2014 | December 31, 2013 |
|--|------------------------------|------------------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares(*1) | 80,745,711 | 80,745,711 |
| Share capital | | |
| Common stock | 44,639 | 44,639 |
| Capital surplus and other capital adjustments: | | |
| Paid-in surplus | 2,915,887 | 2,915,886 |
| Treasury stock (Note 25) | (2,139,683) | (2,139,683) |
| Loss on disposal of treasury stock | (18,087) | (18,087) |
| Hybrid bonds (Note 26) | 398,518 | 398,518 |
| Others(*2) | (878,637) | (839,126) |
| | 277,998 | 317,508 |

(*1) For the years ended December 31, 2003, 2006 and 2009, the Parent Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Parent Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for years ended December 31, 2014 and 2013. Changes in number of shares outstanding for the years ended December 31, 2014 and 2013 are follows:

| <i>(In shares)</i> | 2014 | 2013 | | | | |
|----------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|
| | Issued shares | Treasury stock | Outstanding shares | Issued shares | Treasury stock | Outstanding shares |
| Beginning issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 11,050,712 | 69,694,999 |
| Disposal of treasury stock | | | | | (1,241,337) | 1,241,337 |
| Ending issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 9,809,375 | 70,936,336 |

(*2) Others primarily consist of the excess of the consideration paid by the Group over the carrying values of net assets acquired from common control transactions with entities within the control of the Ultimate Controlling Entity (See Note 12).

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25. Treasury Stock

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

Treasury stock as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won, shares)</i> | December 31, 2014 | December 31, 2013 |
|-------------------------------------|------------------------------|------------------------------|
| Number of shares | 9,809,375 | 9,809,375 |
| Amount | 2,139,683 | 2,139,683 |

26. Hybrid Bonds

Hybrid bonds classified as equity as of December 31, 2014 is as follows:

| <i>(In millions of won)</i> | Type | Issuance date | Maturity | Annual interest rate(%) | Amount |
|-----------------------------|--|--------------------------|------------------|--|----------------|
| Private hybrid bonds | Blank coupon unguaranteed subordinated bond | June 7, 2013 | June 7, 2073(*1) | 4.21(*2) | 400,000 |
| Issuance costs | | | | | (1,482) |
| | | | | | 398,518 |

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

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

(*2) Annual interest rate is adjusted after five years from the issuance date.

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27. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|------------------------------|------------------------------|
| Appropriated: | | |
| Legal reserve | 22,320 | 22,320 |
| Reserve for research & manpower development | 151,533 | 155,767 |
| Reserve for business expansion | 9,476,138 | 9,376,138 |
| Reserve for technology development | 2,416,300 | 2,271,300 |
| | 12,066,291 | 11,825,525 |
| Unappropriated | 2,122,300 | 1,276,970 |
| | 14,188,591 | 13,102,495 |

(2) Legal reserve

The Korean Commercial Act requires the Parent Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

28. Reserves

(1) Details of reserves, net of taxes, as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|------------------------------|------------------------------|
| Unrealized fair value of available-for-sale financial assets | 235,385 | 208,529 |
| Other comprehensive loss of investments in associates | (163,808) | (172,117) |
| Unrealized fair value of derivatives | (77,531) | (35,429) |
| Foreign currency translation differences for foreign operations | 1,465 | (13,253) |
| | (4,489) | (12,270) |

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28. Reserves, Continued

(2) Changes in reserves for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | | |
|------------------------------|--|--|---|--|--------------|
| | Unrealized fair value of available- for-sale financial assets | Other compre- hensive loss of investments in associates | Unrealized fair value of derivatives | Foreign currency translation differences for foreign operations | Total |
| Balance at January 1, 2014 | 208,529 | (172,117) | (35,429) | (13,253) | (12,270) |
| Changes | 30,945 | 8,381 | (54,290) | 14,718 | (246) |
| Tax effect | (4,089) | (72) | 12,188 | | 8,027 |
| Balance at December 31, 2014 | 235,385 | (163,808) | (77,531) | 1,465 | (4,489) |
| | 2013 | | | | |
| <i>(In millions of won)</i> | Unrealized fair value of available-for- sale financial assets | Other compre- hensive loss of investments in associates | Unrealized fair value of derivatives | Foreign currency translation differences for foreign operations | Total |
| Balance at January 1, 2013 | 207,063 | (175,044) | (46,652) | (11,003) | (25,636) |
| Changes | 2,747 | 1,254 | 14,488 | (2,250) | 16,239 |
| Tax effect | (1,281) | 1,673 | (3,265) | | (2,873) |
| Balance at December 31, 2013 | 208,529 | (172,117) | (35,429) | (13,253) | (12,270) |

(3) Details of changes in unrealized fair value of available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

| | 2014 | | |
|--|-------------------------|--------------------------|--------------------|
| <i>(In millions of won)</i> | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2014 | 275,663 | (67,134) | 208,529 |
| Amount recognized as other comprehensive loss during the year | 40,785 | (6,470) | 34,315 |
| Amount reclassified to profit or loss | (9,840) | 2,381 | (7,459) |
| Balance at December 31, 2014 | 306,608 | (71,223) | 235,385 |
| | 2013 | | |
| <i>(In millions of won)</i> | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2013 | 272,917 | (65,854) | 207,063 |
| Amount recognized as other comprehensive income during the year | 3,879 | (1,529) | 2,350 |
| Amount reclassified to profit or loss | (1,133) | 249 | (884) |
| Balance at December 31, 2013 | 275,663 | (67,134) | 208,529 |

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28. Reserves, Continued

- (4) Details of changes in unrealized fair value of derivatives for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | |
|---|-------------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2014 | (48,211) | 12,782 | (35,429) |
| Amount recognized as other comprehensive loss during the year | (46,535) | 10,311 | (36,224) |
| Amount reclassified through profit or loss | (7,755) | 1,877 | (5,878) |
| Balance at December 31, 2014 | (102,501) | 24,970 | (77,531) |

| <i>(In millions of won)</i> | 2013 | | |
|---|---------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2013 | (62,698) | 16,046 | (46,652) |
| Amount recognized as other comprehensive income during the year | 11,833 | (3,001) | 8,832 |
| Amount reclassified through profit or loss | 2,654 | (263) | 2,391 |
| Balance at December 31, 2013 | (48,211) | 12,782 | (35,429) |

29. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|----------------------------------|-------------|-------------|
| Other Operating Expenses: | | |
| Communication expenses | 58,622 | 62,193 |
| Utilities | 247,919 | 227,593 |
| Taxes and dues | 33,500 | 29,873 |

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| | | |
|---|-----------|-----------|
| Repair | 260,533 | 252,344 |
| Research and development | 390,943 | 352,385 |
| Training | 42,781 | 40,446 |
| Bad debt for accounts receivables trade | 45,754 | 53,344 |
| Reversal of allowance for doubtful accounts | | (359) |
| Travel | 28,912 | 31,762 |
| Supplies and other | 209,933 | 189,042 |
| | 1,318,897 | 1,238,623 |

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30. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Other Non-operating Income: | | |
| Fees | 8,199 | 7,303 |
| Gain on disposal of property and equipment and intangible assets | 8,792 | 7,991 |
| Others(*1) | 39,288 | 59,173 |
| | 56,279 | 74,467 |
| Other Non-operating Expenses: | | |
| Impairment loss on property and equipment, and intangible assets | 47,489 | 13,770 |
| Loss on disposal of property and equipment and intangible assets | 32,950 | 267,468 |
| Donations | 67,823 | 82,057 |
| Bad debt for accounts receivable other | 17,943 | 22,155 |
| Others(*2) | 107,353 | 121,723 |
| | 273,558 | 507,173 |

(*1) Others for the year ended December 31, 2014 primarily consists of VAT refund.

(*2) Others for the year ended December 31, 2014 and 2013 primarily consists of penalties.

31. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Finance Income: | | |
| Interest income | 60,006 | 65,560 |

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| | | |
|---|---------|---------|
| Dividends | 13,048 | 10,197 |
| Gain on foreign currency transactions | 16,301 | 11,041 |
| Gain on foreign currency translations | 6,277 | 4,401 |
| Gain on disposal of long-term investment securities | 13,994 | 9,300 |
| Gain on valuation of derivative | 8,713 | |
| Gain on settlement of derivatives | 7,998 | 7,716 |
| Gain relating to financial asset at fair value through profit or loss | | 5,177 |
| | 126,337 | 113,392 |

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For the years ended December 31, 2014 and 2013

31. Finance Income and Costs, Continued

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Finance Costs: | | |
| Interest expense | 323,910 | 331,834 |
| Loss on foreign currency transactions | 18,053 | 16,430 |
| Loss on foreign currency translations | 5,079 | 2,634 |
| Loss on disposal of long-term investment securities | 2,694 | 31,909 |
| Loss on valuation of derivatives | 10 | 2,106 |
| Loss on settlement of derivatives | 672 | |
| Loss relating to financial asset at fair value through profit or loss | 1,352 | |
| Loss relating to financial liability at fair value through profit or loss(*) | 10,370 | 134,232 |
| Other finance costs | 24,533 | 52,058 |
| | 386,673 | 571,203 |

(*) Loss relating to financial liability at fair value through profit or loss for the year ended December 31, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Parent Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

(2) Details of interest income included in finance income for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|---------------|---------------|
| Interest income on cash equivalents and deposits | 33,417 | 41,907 |
| Interest income on installment receivables and others | 26,589 | 23,653 |
| | 60,006 | 65,560 |

- (3) Details of interest expense included in finance costs for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Interest expense on bank overdrafts and borrowings | 26,360 | 28,600 |
| Interest expense on debentures | 247,972 | 258,962 |
| Interest on finance lease liabilities | 504 | 1,333 |
| Others | 49,074 | 42,939 |
| | 323,910 | 331,834 |

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For the years ended December 31, 2014 and 2013

31. Finance Income and Costs, Continued

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2014 and 2013 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in Note 7.

- (i) Finance income and costs

| <i>(In millions of won)</i> | 2014 | | 2013 | |
|--|----------------|---------------|----------------|---------------|
| | Finance income | Finance costs | Finance income | Finance costs |
| Financial Assets: | | | | |
| Financial assets at fair value through profit or loss | 8,713 | 1,361 | 5,177 | 276 |
| Available-for-sale financial assets | 32,227 | 27,227 | 23,311 | 83,967 |
| Loans and receivables | 57,685 | 18,182 | 62,211 | 16,479 |
| Derivative financial instruments designated as hedged item | 7,998 | 672 | 7,716 | 1,830 |
| Sub-total | 106,623 | 47,442 | 98,415 | 102,552 |
| Financial Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | 10,370 | | 134,232 |
| Financial liabilities measured at amortized cost | 19,714 | 328,861 | 14,977 | 334,419 |
| Sub-total | 19,714 | 339,231 | 14,977 | 468,651 |
| Total | 126,337 | 386,673 | 113,392 | 571,203 |

- (ii) Other comprehensive income (loss)

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------|--------|
| Financial Assets: | | |
| Available-for-sale financial assets | 26,855 | 2,009 |
| Derivative financial instruments designated as hedged item | (20,301) | 12,240 |

| | | |
|--|----------|---------|
| Sub-total | 6,554 | 14,249 |
| Financial Liabilities: | | |
| Derivative financial instruments designated as hedged item | (21,801) | (1,018) |
| Sub-total | (21,801) | (1,018) |
| Total | (15,247) | 13,231 |

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31. Finance Income and Costs, Continued

- (5) Details of impairment losses for financial assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Available-for-sale financial assets | 24,533 | 52,058 |
| Bad debt for accounts receivable trade | 45,754 | 53,344 |
| Bad debt for accounts receivable other | 17,943 | 22,167 |
| | 88,230 | 127,569 |

32. Income Tax Expense for Continuing Operations

- (1) Income tax expenses for continuing operations for the years ended December 31, 2014 and 2013 consist of the following:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|----------------|----------------|
| Current tax expense | | |
| Current tax payable | 181,273 | 145,457 |
| Adjustments recognized in the period for current tax of prior periods | (19,938) | (16,696) |
| | 161,335 | 128,761 |
| Deferred tax expense | | |
| Changes in net deferred tax assets | 276,049 | 266,601 |
| Tax directly charged to equity | 16,929 | (3,584) |
| Changes in scope of consolidation | | 8,919 |
| Others (exchange rate differences, etc.) | 195 | 100 |
| | 293,173 | 272,036 |
| Income tax for continuing operation | 454,508 | 400,797 |

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For the years ended December 31, 2014 and 2013

32. Income Tax Expense for Continuing Operations, Continued

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2014 and 2013 is attributable to the following:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|----------------|----------------|
| Income taxes at statutory income tax rates | 544,964 | 441,697 |
| Non-taxable income | (32,277) | (35,632) |
| Non-deductible expenses | 61,580 | 74,311 |
| Tax credit and tax reduction | (33,581) | (37,893) |
| Changes in unrealizable deferred taxes | (43,820) | (13,285) |
| Others (income tax refund and tax rate differences, etc.) | (42,358) | (28,401) |
| Income tax for continuing operation | 454,508 | 400,797 |

Tax rates applied for the above taxable income for the years ended December 31, 2014 and 2013 are corporate income tax rates applied for taxable income in Republic of Korea, of which SK Telecom Co., Ltd., the Parent Company, is located.

- (3) Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|---------------|----------------|
| Net change in fair value of available-for-sale financial assets | (4,089) | (1,281) |
| Share of other comprehensive income of associates | (72) | 1,673 |
| Gain or loss on valuation of derivatives | 12,188 | (3,265) |
| Remeasurement of defined benefit liabilities | 8,902 | (466) |
| Loss on disposal of treasury stock | | (245) |
| | 16,929 | (3,584) |

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32. Income Tax Expense for Continuing Operations, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Beginning | Deferred tax expense (benefit) | 2014 Directly added to (deducted from) equity | Other | Ending |
|--|------------------|---|--|--------------|---------------|
| Deferred tax assets (liabilities) related to temporary differences | | | | | |
| Allowance for doubtful accounts | 56,427 | (2,700) | | (149) | 53,578 |
| Accrued interest income | (2,831) | 381 | | | (2,450) |
| Available-for-sale financial assets | (589) | (146) | (4,089) | | (4,824) |
| Investments in subsidiaries and associates | (44,844) | (165,663) | (72) | (464) | (211,043) |
| Property and equipment (depreciation) | (333,633) | (38,690) | | (9) | (372,332) |
| Provisions | 14,303 | (6,699) | | (17) | 7,587 |
| Retirement benefit obligation | 16,089 | 2,390 | 8,902 | (20) | 27,361 |
| Gain or loss on valuation of derivatives | 12,779 | 2 | 12,188 | | 24,969 |
| Gain or loss on foreign currency translation | 19,572 | (248) | | | 19,324 |
| Tax free reserve for research and manpower development | (40,011) | 32,849 | | | (7,162) |
| Goodwill relevant to leased line | 31,025 | (26,592) | | | 4,433 |
| Unearned revenue (activation fees) | 53,412 | (27,435) | | | 25,977 |
| Others | 44,738 | (61,274) | | 854 | (15,682) |
| | (173,563) | (293,825) | 16,929 | 195 | (450,264) |
| Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards | | | | | |
| Tax loss carryforwards | 31,060 | 652 | | | 31,712 |
| Tax credit carryforwards | | | | | |
| | 31,060 | 652 | | | 31,712 |

(142,503) (293,173) 16,929 195 (418,552)

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32. Income Tax Expense for Continuing Operations, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | Beginning | Changes in scope of consolidation | 2013 | | Other | Ending |
|--|-----------|--|--------------------------------------|--|-------|-----------|
| | | | Deferred tax expense (benefit) | Directly added to (deducted from) equity | | |
| Deferred tax assets (liabilities) related to temporary differences | | | | | | |
| Allowance for doubtful accounts | 51,972 | (2,323) | 6,773 | | 5 | 56,427 |
| Accrued interest income | (1,782) | (756) | (293) | | | (2,831) |
| Available-for-sale financial assets | 13,419 | (45) | (12,682) | (1,281) | | (589) |
| Investments in subsidiaries and associates | 66,969 | 51 | (113,541) | 1,673 | 4 | (44,844) |
| Property and equipment (depreciation) | (272,940) | 4,940 | (65,633) | | | (333,633) |
| Provisions | 86,567 | 206 | (72,470) | | | 14,303 |
| Retirement benefit obligation | 16,849 | 151 | (445) | (466) | | 16,089 |
| Gain or loss on valuation of derivatives | 15,894 | | 150 | (3,265) | | 12,779 |
| Gain or loss on foreign currency translation | 19,652 | | (80) | | | 19,572 |
| Tax free reserve for research and manpower development | (31,093) | | (8,918) | | | (40,011) |
| Goodwill relevant to leased line | 68,675 | | (37,650) | | | 31,025 |
| Unearned revenue (activation fees) | 97,110 | | (43,698) | | | 53,412 |
| Others | (23,804) | (11,654) | 80,350 | (245) | 91 | 44,738 |
| | 107,488 | (9,430) | (268,137) | (3,584) | 100 | (173,563) |

Deferred tax assets related to unused tax loss carryforwards and unused tax

credit carryforwards

| | | | | | | |
|--------------------------|---------|--------|-----------|---------|-----|-----------|
| Tax loss carryforwards | 16,609 | 18,350 | (3,899) | | | 31,060 |
| Tax credit carryforwards | 1 | (1) | | | | |
| | 16,610 | 18,349 | (3,899) | | | 31,060 |
| | 124,098 | 8,919 | (272,036) | (3,584) | 100 | (142,503) |

- (5) Details of temporary differences, unused tax loss carryforwards and unused tax credits carryforwards which are not recognized as deferred tax assets, as the Group does not believe it is probable that the deferred tax assets will be realizable in the future, in the consolidated statements of financial position as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Allowance for doubtful accounts | 155,634 | 152,341 |
| Investments in subsidiaries and associates | 422,033 | 719,974 |
| Other temporary differences | 314,188 | 221,264 |
| Unused tax loss carryforwards | 729,570 | 669,890 |
| Unused tax credit carryforwards | 2,438 | |
| | 1,623,863 | 1,763,469 |

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32. Income Tax Expense for Continuing Operations, Continued

- (6) The expirations of unused tax loss carryforwards and unused tax credit carryforwards which are not recognized as deferred tax assets as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Unused tax loss carryforwards | Unused tax credit carryforwards |
|-----------------------------|--------------------------------------|--|
| Less than 1 year | 1,087 | 270 |
| 1 ~ 2 years | 4,894 | 1041 |
| 2 ~ 3 years | | 155 |
| More than 3 years | 723,589 | 972 |
| | 729,570 | 2,438 |

33. Earnings per Share

- (1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

| <i>(In millions of won, shares)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Basic earnings per share attributable to owners of the Parent Company from continuing operation: | | |
| Profit attributable to owners of the Parent Company from continuing operations | 1,801,178 | 1,463,097 |
| Interest on hybrid bonds | (16,840) | (8,420) |
| Profit attributable to owners of the Parent Company from continuing operations on common shares | 1,784,338 | 1,454,677 |
| Weighted average number of common shares outstanding | 70,936,336 | 70,247,592 |
| Basic earnings per share from continuing operations (In won) | 25,154 | 20,708 |

| Basic earnings per share attributable to owners of the Parent Company: | | |
|---|------------|------------|
| Profit attributable to owners of the Parent Company | 1,801,178 | 1,638,964 |
| Interest on hybrid bond | (16,840) | (8,420) |
| Profit attributable to owners of the Parent Company on common shares | 1,784,338 | 1,630,544 |
| Weighted average number of common shares outstanding | 70,936,336 | 70,247,592 |
| Basic earnings per share (In won) | 25,154 | 23,211 |

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33. Earnings per Share, Continued

(1) Basic earnings per share, Continued

- 2) Profit attributable to owners of the Parent Company from continuing operation for the years ended December 31, 2014 and 2013 are calculated as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|------------------|------------------|
| Profit attributable to owners of the Parent Company | 1,801,178 | 1,638,964 |
| Profit from discontinued operation attributable to owners of the Parent Company | | 175,867 |
| Profit attributable to owners of the Parent Company from continuing operation | 1,801,178 | 1,463,097 |

- 3) The weighted average number of common shares outstanding for the years ended December 31, 2014 and 2013 are calculated as follows:

| <i>(In shares)</i> | 2014 | 2013 |
|---|-------------------|-------------------|
| Outstanding common shares | 80,745,711 | 80,745,711 |
| Weighted number of treasury stocks | (9,809,375) | (10,498,119) |
| Weighted average number of common shares outstanding | 70,936,336 | 70,247,592 |

(2) Diluted earnings per share

For the year ended December 31, 2014, there were no potentially dilutive shares. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the year ended December 31, 2013 as effect would have been anti-dilutive (diluted shares of 688,744). Therefore, diluted earnings per share for the years ended December 31, 2014 and 2013 are the same as basic earnings per share.

(3) Basic earnings per share from discontinued operation

| <i>(In millions of won, shares)</i> | 2014 | 2013 |
|---|-------------|--------------|
| Profit from discontinued operation attributable to owners of the Parent Company | | 175,867 |
| Weighted average number of common shares outstanding | 70,936,336 | 70,247,592 |
| Basic earnings per share (In won) | | 2,503 |

Diluted earnings per share from discontinued operation are the same as basic earnings per share from discontinued operation.

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34. Dividends

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won, except for face value and share data)

| Year | Dividend type | Face value | | | Dividends |
|------|---------------------------|------------------------------|----------|----------------|-----------|
| | | Number of shares outstanding | (In won) | Dividend ratio | |
| 2014 | Cash dividends (Interim) | 70,936,336 | 500 | 200% | 70,937 |
| | Cash dividends (Year-end) | 70,936,336 | 500 | 1680% | 595,865 |
| | | | | | 666,802 |
| 2013 | Cash dividends (Interim) | 70,508,482 | 500 | 200% | 70,508 |
| | Cash dividends (Year-end) | 70,936,336 | 500 | 1,680% | 595,865 |
| | | | | | 666,373 |

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

| Year | Dividends calculated | Profit | Dividends payout ratio |
|------|----------------------|-----------|------------------------|
| 2014 | 666,802 | 1,801,178 | 37.02% |
| 2013 | 666,373 | 1,638,964 | 40.66% |

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2014 and 2013 are as follows:

(In won)

| Year | Dividend type | Dividend per share | Closing price at settlement | Dividend yield ratio |
|-------------|----------------------|---------------------------|------------------------------------|-----------------------------|
| 2014 | Cash dividend | 9,400 | 268,000 | 3.51% |
| 2013 | Cash dividend | 9,400 | 230,000 | 4.09% |

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For the years ended December 31, 2014 and 2013

35. Categories of Financial Instruments

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | | | | |
|-------------------------------------|--|---|----------------------------------|---|--------------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| <i>(In millions of won)</i> | | | | | |
| Cash and cash equivalents | | | 834,429 | | 834,429 |
| Financial instruments | | | 313,699 | | 313,699 |
| Short-term investment securities | | 280,161 | | | 280,161 |
| Long-term investment securities(*1) | 7,817 | 948,463 | | | 956,280 |
| Accounts receivable trade | | | 2,460,686 | | 2,460,686 |
| Loans and other receivables(*2) | | | 1,123,507 | | 1,123,507 |
| Derivative financial assets | 8,713 | | | 61,322 | 70,035 |
| | 16,530 | 1,228,624 | 4,732,321 | 61,322 | 6,038,797 |

| | December 31, 2013 | | | | |
|-----------------------------|--|---|----------------------------------|---|--------------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| <i>(In millions of won)</i> | | | | | |
| Cash and cash equivalents | | | 1,398,639 | | 1,398,639 |

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| | | | | | |
|-------------------------------------|--------|-----------|-----------|--------|-----------|
| Financial instruments | | | 319,616 | | 319,616 |
| Short-term investment securities | | 106,068 | | | 106,068 |
| Long-term investment securities(*1) | 20,532 | 947,995 | | | 968,527 |
| Accounts receivable trade | | | 2,270,471 | | 2,270,471 |
| Loans and other receivables(*2) | | | 1,044,529 | | 1,044,529 |
| Derivative financial assets(*3) | 10 | | | 41,712 | 41,722 |
| | 20,542 | 1,054,063 | 5,033,255 | 41,712 | 6,149,572 |

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

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35. Categories of Financial Instruments, Continued

(*2) Details of loans and other receivables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-------------------------------------|--------------------------|--------------------------|
| Short-term loans | 74,512 | 79,395 |
| Accounts receivable other | 690,527 | 643,603 |
| Accrued income | 10,134 | 11,941 |
| Other current assets | 3,866 | 2,548 |
| Long-term loans | 55,728 | 57,442 |
| Long-term accounts receivable-other | 3,596 | |
| Guarantee deposits | 285,144 | 249,600 |
| | 1,123,507 | 1,044,529 |

(*3) Derivative financial assets classified as financial assets at fair value through profit or loss is the fair value of conversion right of convertible bonds held by SK Communications Co., Ltd., a subsidiary of the Parent Company.

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | | Total |
|----------------------------------|---|---|---|--------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Accounts payable trade | | 275,495 | | 275,495 |
| Derivative financial liabilities | | | 130,889 | 130,889 |
| Borrowings | | 537,562 | | 537,562 |
| Debentures(*1) | 110,365 | 6,108,265 | | 6,218,630 |

| | | | | |
|---------------------------------------|---------|------------|---------|------------|
| Accounts payable other and others(*3) | | 3,241,615 | | 3,241,615 |
| | 110,365 | 10,162,937 | 130,889 | 10,404,191 |

| | December 31, 2013 | | | |
|---------------------------------------|--|--|--|------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | Total |
| <i>(In millions of won)</i> | | | | |
| Accounts payable trade | | 214,716 | | 214,716 |
| Derivative financial liabilities | | | 124,339 | 124,339 |
| Borrowings | | 386,192 | | 386,192 |
| Debentures(*2) | 96,147 | 5,830,324 | | 5,927,471 |
| Accounts payable other and others(*3) | | 3,949,794 | | 3,949,794 |
| | 96,147 | 10,381,026 | 124,339 | 10,601,512 |

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35. Categories of Financial Instruments, Continued

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.

(*2) The entire amount of debentures as of December 31, 2013 was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.

(*3) Details of accounts payable other and other payables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Accounts payable other | 1,381,850 | 1,864,024 |
| Withholdings | 1,760 | 1,549 |
| Accrued expenses | 952,418 | 988,193 |
| Current portion of long-term payables - other | 193,193 | 226,151 |
| Long-term payables other | 684,567 | 838,585 |
| Finance lease liabilities | 26 | 3,867 |
| Other non-current liabilities | 27,801 | 27,425 |
| | 3,241,615 | 3,949,794 |

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

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

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

1) Market risk

(i) Currency risk

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

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36. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary foreign currency assets and liabilities as of December 31, 2014 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)

| | Assets | | Liabilities | |
|--------|--------------------|-----------------|--------------------|-----------------|
| | Foreign currencies | Won translation | Foreign currencies | Won translation |
| USD | 162,382 | 178,323 | 1,877,566 | 2,063,802 |
| EUR | 5,259 | 7,059 | 2,352 | 3,143 |
| JPY | 29,184 | 268 | 5,174 | 48 |
| AUD | 79 | 66 | | |
| CHF | | | 298,536 | 268,411 |
| SGD | | | 298,956 | 332,269 |
| Others | 161,777 | 11,656 | 43,656 | 1,227 |
| | | 197,372 | | 2,668,900 |

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 23)

As of December 31, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|----------------------------|----------------------------|
| USD | 5,913 | (5,913) |

| | | |
|--------|-------|---------|
| EUR | 356 | (356) |
| JPY | 22 | (22) |
| Others | 1,050 | (1,050) |
| | 7,341 | (7,341) |

(ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2014, available-for-sale equity instruments measured at fair value amount to 846,614 million.

(iii) Interest rate risk

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

Accordingly, the Group performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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36. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk, Continued

The interest rate risk arises from the Group's floating-rate borrowings and bonds agreements. As of the year ended December 31, 2014, the floating-rate borrowings and bonds are 49,800 million and 329,760 million, respectively, and the Group has entered into interest rate swap agreements, as described in Note 23, for all floating-rate bonds to hedge the interest rate risk of floating-rate bonds. On the other hand, if the interest rate increases (decreases) 1% with all other variables held constant, income before income taxes as of the end of December 31, 2014, fluctuates as much as 498 million due to the interest expense on floating-rate borrowings that have not entered into an interest rate swap agreement.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Cash and cash equivalents | 833,129 | 1,398,548 |
| Financial instruments | 313,699 | 319,616 |
| Available-for-sale financial assets | 15,498 | 35,174 |
| Accounts receivable trade | 2,460,686 | 2,270,471 |
| Loans and receivables | 1,123,507 | 1,044,529 |
| Derivative financial assets | 70,035 | 41,712 |
| Financial assets at fair value through profit or loss | 7,817 | 20,532 |
| | 4,824,371 | 5,130,582 |

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

For the year ended December 31, 2014, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of December 31, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 7 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 31.

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36. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash and cash equivalents balances and have enough liquidity through various committed credit lines. The Group manages liquidity risks by maintaining credit lines in case of insufficient liquidity generated by operating activities.

Contractual maturities of financial liabilities as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|---|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Accounts payable - trade | 275,495 | 275,495 | 275,494 | | |
| Borrowings(*1) | 537,562 | 555,407 | 386,814 | 129,047 | 39,546 |
| Debentures(*1) | 6,218,630 | 7,516,339 | 770,663 | 4,082,384 | 2,663,292 |
| Accounts payable - other and others(*2) | 3,241,615 | 3,271,633 | 2,421,297 | 598,447 | 251,889 |
| | 10,273,302 | 11,618,874 | 3,854,268 | 4,809,878 | 2,954,727 |

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

(*1) Includes estimated interest to be paid and excludes discounts on borrowings and debentures.

(*2) Excludes discounts on accounts payable-other and others.

As of December 31, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

| <i>(In millions of won)</i> | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|-----------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
|-----------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|

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| | | | | | |
|-------------|-----------|-----------|----------|-----------|--------|
| Assets | 61,322 | 64,440 | 6,288 | 42,448 | 15,704 |
| Liabilities | (130,889) | (137,344) | (15,145) | (121,463) | (736) |
| | (69,567) | (72,904) | (8,857) | (79,015) | 14,968 |

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SK TELECOM CO., LTD. and Subsidiaries

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36. Financial Risk Management, Continued

(2) Capital management

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Group is the same as that of the group as of and for the year ended 31 December 2013.

The Group monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total liabilities divided by total equity which are extracted from the financial statements.

Debt-equity ratio as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
| Liabilities | 12,692,963 | 12,409,958 |
| Equity | 15,248,270 | 14,166,557 |
| Debt-equity ratio | 83.24% | 87.60% |

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------------|----------------|----------------|----------------|--------------|
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 16,530 | | 8,713 | 7,817 | 16,530 |
| Derivative financial assets | 61,322 | | 61,322 | | 61,322 |
| Available-for-sale financial assets | 846,614 | 657,286 | 47,002 | 142,326 | 846,614 |
| | 924,466 | 657,286 | 117,037 | 150,143 | 924,466 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 834,429 | | | | |
| Available-for-sale financial assets(*1,2) | 382,010 | | | | |
| Accounts receivable trade and others(*1) | 3,584,193 | | | | |
| Financial instruments(*1) | 313,699 | | | | |
| | 5,114,331 | | | | |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 110,365 | | 110,365 | | 110,365 |
| Derivative financial liabilities | 130,889 | | 130,889 | | 130,889 |
| | 241,254 | | 241,254 | | 241,254 |
| Financial liabilities that cannot be measured at fair value | | | | | |
| Accounts payable trade(*1) | 275,495 | | | | |

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| | | | |
|---|------------|-----------|-----------|
| Borrowings | 537,562 | 548,583 | 548,583 |
| Debentures | 6,108,265 | 6,514,832 | 6,514,832 |
| Accounts payable - other and others(*1) | 3,241,615 | | |
| | 10,162,937 | 7,063,415 | 7,063,415 |

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

| <i>(In millions of won)</i> | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------------|----------------|----------------|----------------|--------------|
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 20,542 | | 20,532 | 10 | 20,542 |
| Derivative financial assets | 41,712 | | 41,712 | | 41,712 |
| Available-for-sale financial assets | 839,647 | 638,445 | 46,414 | 154,788 | 839,647 |
| | 901,901 | 638,445 | 108,658 | 154,798 | 901,901 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 1,398,639 | | | | |
| Available-for-sale financial assets(*1,2) | 214,416 | | | | |
| Accounts receivable trade and others(*1) | 3,314,999 | | | | |
| Financial instruments(*1) | 319,616 | | | | |
| | 5,247,670 | | | | |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 96,147 | 96,147 | | | 96,147 |
| Derivative financial liabilities | 124,339 | | 124,339 | | 124,339 |
| | 220,486 | 96,147 | 124,339 | | 220,486 |

Financial liabilities that cannot be measured at fair value

| | | | |
|---|------------|-----------|-----------|
| Accounts payable - trade(*1) | 214,716 | | |
| Borrowings | 386,192 | 399,247 | 399,247 |
| Debentures | 5,830,324 | 5,946,586 | 5,946,586 |
| Accounts payable - other and others(*1) | 3,949,794 | | |
| | 10,381,026 | 6,345,833 | 6,345,833 |

(*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

(*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.

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

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued**(3) Fair value, Continued**

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

Fair values of accounts receivable - trade, and accounts payable - trade are considered to be carrying amount less impairment and fair value of financial liabilities for the disclosure purpose is estimated by discounting contractual future cash flows using the current market interest rate used for the similar financial instruments by the Group.

Interest rates used by the Group for the fair value measurement as of December 31, 2014 are as follows:

| | Interest rate |
|---------------------------|----------------------|
| Derivative instruments | 1.90% ~ 2.40% |
| Borrowings and debentures | 2.55 ~ 2.68% |

- 3) There have been no transfers from Level 2 to Level 1 in 2014 and changes of financial assets classified as Level 3 for the year ended December 31, 2014 are as follows:

| | Balance at Jan. 1 | Acquisition | Gain for comprehensive the period | Other loss | Disposal | Balance at Dec. 31 |
|---|------------------------------|--------------------|--|-----------------------|-----------------|-------------------------------|
| Financial assets at fair value through profit or loss | 10 | 5,000 | 2,817 | | (10) | 7,817 |
| Available-for-sale financial assets | 154,788 | 34,611 | | (2,339) | (44,734) | 142,326 |

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36. Financial Risk Management, Continued

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2014 are as follows:

| | | Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Net amount |
|-------------------------------|------------------|--|---|---|--|------------|
| | | | | | Cash Financial collaterals received | |
| <i>(In millions of won)</i> | | | | | | |
| Financial assets: | | | | | | |
| Derivatives(*) | | 48,057 | | 48,057 | (45,892) | 2,165 |
| Accounts receivable | trade and other | 128,794 | (117,568) | 11,226 | | 11,226 |
| | | 176,851 | (117,568) | 59,283 | (45,892) | 13,391 |
| Financial liabilities: | | | | | | |
| Derivatives(*) | | 45,892 | | 45,892 | (45,892) | |
| Accounts payable | other and others | 117,568 | (117,568) | | | |
| | | 163,460 | (117,568) | 45,892 | (45,892) | |

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2013 are as follows:

| Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Net amount |
|--|---|---|--|------------|
|--|---|---|--|------------|

| <i>(In millions of won)</i> | | | | financial position | position Financial instruments | Cash collaterals received |
|-------------------------------|------------------|---------|-----------|-------------------------------|---|--|
| Financial assets: | | | | | | |
| Derivatives(*) | | 28,870 | | 28,870 | (28,870) | |
| Accounts receivable | trade and others | 138,897 | (127,055) | 11,842 | | 11,842 |
| | | 167,767 | (127,055) | 40,712 | (28,870) | 11,842 |
| Financial liabilities: | | | | | | |
| Derivatives(*) | | 43,536 | | 43,536 | (28,870) | 14,666 |
| Accounts payable | others | 127,055 | (127,055) | | | |
| | | 170,591 | (127,055) | 43,536 | (28,870) | 14,666 |

(*) The Group entered into derivative contracts which include enforceable master netting arrangement in accordance with International Swap and Derivatives Association (ISDA). Generally, all contracts made with the identical currencies are settled from one party to another by combining one net amount. In this case, all contracts are liquidated and paid off at net amount by evaluating liquidation value if credit events such as bankruptcy occur. ISDA agreements do not allow the Group to exercise rights of set-off unless credit events such as bankruptcy occur. Therefore, assets and liabilities recognized in accordance with the agreements cannot be offset as the Group does not have enforceable rights of set-off.

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37. Transactions with Related Parties

- (1) List of related parties

Relationship

Ultimate Controlling Entity
 Subsidiaries
 Joint venture
 Associates
 Affiliates

Interest rate

SK Holding Co., Ltd.
 SK Planet Co., Ltd. and 39 others (See Note 1)
 Dogus Planet, Inc. and 4 others
 SK hynix Inc. and 59 others
 The Ultimate Controlling Entity's investee under equity method, the Ultimate Controlling Entity's subsidiaries and associates, etc.

- (2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------------|--------------|--------------|
| Salaries | 2,600 | 2,263 |
| Provision for retirement benefits | 907 | 1,012 |
| | 3,507 | 3,275 |

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

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For the years ended December 31, 2014 and 2013

37. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | | 2014 | | | | Loans Loans collection |
|-----------------------------|---|--------------------------------|------------------------------------|---|----|---------------------------|
| | | Operating revenue others | Operating expense and others | Acquisition of property and equipment | | |
| Scope | Company | | | | | |
| Ultimate | | | | | | |
| Controlling Entity | SK Holding Co., Ltd.(*1) | 530 | 226,772 | | | |
| Associates | F&U Credit information Co., Ltd. | 2,395 | 45,417 | | | |
| | HappyNarae Co., Ltd. | 253 | 6,492 | 10,418 | | |
| | SK hynix Inc. | 12,964 | 3,391 | | | |
| | SK USA, Inc. | | 2,153 | | | |
| | SK Wyverns Baseball Club., Ltd. | 901 | 22,402 | | | 204 |
| | KEB HanaCard Co., Ltd.(*2) | 39,828 | 5,416 | | | |
| | Others | 5,852 | 15,150 | | | 45 |
| | | 62,193 | 100,421 | 10,418 | 45 | 204 |
| Other | SK Engineering & Construction Co., Ltd. | 3,385 | 42,964 | 460,783 | | |
| | SK C&C Co., Ltd. | 18,309 | 360,842 | 168,778 | | |
| | SK Networks Co., Ltd. | 16,230 | 1,509,017 | 5,388 | | |
| | SK Networks Services Co., Ltd. | 13,017 | 106,273 | 2,583 | | |
| | SK Telesys Co., Ltd. | 494 | 64,038 | 205,538 | | |
| | SK Energy Co., Ltd. | 22,650 | 944 | | | |
| | SK Gas Co., Ltd. | 10,115 | | | | |
| | Others | 25,537 | 38,868 | 12,628 | | |
| | | 109,737 | 2,122,946 | 855,698 | | |
| Total | | 172,460 | 2,450,139 | 866,116 | 45 | 204 |

(*1) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

(*2)

During the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Parent Company's associate and KEB Card Co., Ltd., the Group exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the merged company, KEB HanaCard Co., Ltd. (See Note 13.(1)).

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SK TELECOM CO., LTD. and Subsidiaries

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| <i>(In millions of won)</i> | | 2013 | | | |
|-----------------------------|---|------------------------------|------------------------------|---------------------------------------|------------------|
| | | Operating revenue and others | Operating expense and others | Acquisition of property and equipment | Loans collection |
| Scope | Company | | | | |
| Ultimate | | | | | |
| Controlling Entity | SK Holding Co., Ltd.(*) | 1,912 | 226,023 | | |
| Associates | F&U Credit information Co., Ltd. | 1,753 | 43,931 | | |
| | HappyNarae Co., Ltd. | 281 | 6,217 | 10,542 | |
| | SK hynix Inc. | 3,178 | 1,160 | | |
| | SK USA, Inc. | | 2,086 | | |
| | SK Wyverns Baseball Club., Ltd. | 363 | | | 204 |
| | HanaSK Card Co., Ltd.(*2) | 11,129 | 14,342 | | |
| | Others | 3,171 | 3,734 | 125 | 1,200 |
| | | 19,875 | 71,470 | 10,667 | 1,200 |
| Other | SK Engineering & Construction Co., Ltd. | 5,564 | 37,978 | 484,006 | |
| | SK C&C Co., Ltd. | 4,041 | 357,945 | 206,298 | |
| | SK Networks Co., Ltd. | 51,996 | 1,463,341 | 6,241 | |
| | SK Networks Services Co., Ltd. | 6,165 | 108,972 | 3,057 | |
| | SK Telesys Co., Ltd. | 1,554 | 99,381 | 234,319 | |
| | SK Energy Co., Ltd. | 20,831 | 2,422 | | |
| | SK Gas Co., Ltd. | 6,656 | | | |
| | Others | 30,905 | 43,759 | 11,724 | |
| | | 127,712 | 2,113,798 | 945,645 | |
| Total | | 149,499 | 2,411,291 | 956,312 | 1,200 |

(*) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

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37. Transactions with Related Parties, Continued

(4) Account balances as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | | 2014 | | |
|-----------------------------|---|--------------|--|---|
| | | Loans | Accounts receivable-trade, and others | Accounts payable trade, and others |
| Scope | Company | | | |
| Ultimate Controlling Entity | SK Holding Co., Ltd. | | 90 | |
| Associates | HappyNarae Co., Ltd. | | 13 | 2,650 |
| | F&U Credit information Co., Ltd. | | 148 | 797 |
| | SK hynix Inc. | | 2,800 | 2,840 |
| | SK Wyverns Baseball Club Co., Ltd. | 1,221 | | |
| | Wave City Development Co., Ltd. | 1,200 | 38,412 | |
| | Daehan Kanggun BcN Co., Ltd. | 22,148 | | |
| | KEB HanaCard Co., Ltd. | | 1,998 | 59 |
| | Others | | 543 | 1,285 |
| | | 24,569 | 43,914 | 7,631 |
| Other | SK Engineering & Construction Co., Ltd. | | 897 | 27,282 |
| | SK C&C Co., Ltd. | | 1,393 | 121,145 |
| | SK Networks. Co., Ltd. | | 2,608 | 238,351 |
| | SK Networks Services Co., Ltd. | | 16 | 2,922 |
| | SK Telesys Co., Ltd. | | 321 | 3,037 |
| | SK innovation co., ltd. | | 1,641 | 271 |
| | SK Energy Co., Ltd. | | 4,781 | 79 |
| | SK Gas Co., Ltd. | | 2,143 | 47 |
| | Others | | 2,813 | 9,342 |
| | | | 16,613 | 402,476 |

| | | | |
|-------|--------|--------|---------|
| Total | 24,569 | 60,617 | 410,107 |
|-------|--------|--------|---------|

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37. Transactions with Related Parties, Continued

| <i>(In millions of won)</i> | | 2013 | | |
|-----------------------------|---|---------------|---|---|
| | | Loans | Accounts receivable and others | Accounts payable trade, and others |
| Scope | Company | | | |
| Ultimate Controlling Entity | SK Holding Co., Ltd. | | 334 | |
| Associates | HappyNarae Co., Ltd. | | 27 | 16,317 |
| | F&U Credit information Co., Ltd. | | 258 | 585 |
| | SK hynix Inc. | | 392 | |
| | SK Wyverns Baseball Club Co., Ltd. | 1,425 | | |
| | Wave City Development Co., Ltd. | 1,200 | 38,412 | |
| | Daehan Kanggun BcN Co., Ltd. | 22,102 | | |
| | SK USA, Inc. | | | 436 |
| | Hana Card Co., Ltd. | | 3,723 | 468 |
| | Others | | 10 | 947 |
| | | 24,727 | 42,822 | 18,753 |
| Other | SK Engineering & Construction Co., Ltd. | | 988 | 92,058 |
| | SK C&C Co., Ltd. | | 182 | 127,571 |
| | SK Networks. Co., Ltd. | | 5,930 | 118,759 |
| | SK Networks Services Co., Ltd. | | 3 | 5,048 |
| | SK Telesys Co., Ltd. | | 412 | 70,467 |
| | SK innovation co., ltd. | | 1,480 | 286 |
| | SK Energy Co., Ltd. | | 5,457 | 7,438 |
| | SK Gas Co., Ltd. | | 1,469 | 47 |
| | Others | | 3,223 | 31,592 |
| | | | 19,144 | 453,266 |
| Total | | 24,727 | 62,300 | 472,019 |

- (5) As of December 31, 2014, there are no collateral and guarantee provided by the Group to related parties nor by related parties to the Group.
- (6) M&Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provides a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (7) There were additional investments in associates and joint ventures during the year ended December 31, 2014. (See Note 13)
- (8) For the year ended December 31, 2014, the Group acquired convertible bonds with a face value of 6,000 million from Health Connect Co., Ltd. at the face value. The convertible bonds are included in long-term investment securities.

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38. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of 14,230 million as of December 31, 2014.

SK Broadband Co., Ltd., has guaranteed for employees borrowings relating to employee stock ownership and provided short-term financial instruments amounting to 2,071 million as collateral as of December 31, 2014.

In addition, Neosnetworks Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for facility funds borrowings in the amount of 2,071 million as of December 31, 2014.

(2) Contingencies

As of December 31, 2014, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary of the Parent Company, amounts to 2,097 million. The ultimate outcome of such litigation is not expected to have a material effect on the Group's financial position or performance results.

(3) Guarantee provided

PS&Marketing Corporation, a subsidiary of the Parent Company, obtained 3,000 million of payment guarantees related to handsets purchased from the Apple Computer Korea Ltd.

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39. Discontinued Operation**(1) Discontinued operation**

During the year ended December 31, 2013, SK Planet Co., Ltd., a subsidiary of the Parent Company, sold 52.6% of its ownership interests (13,294,369 shares) in Loen Entertainment, Inc., to Star Invest Holdings Limited. Consideration for the sale amounted to 265,887 million. Loen Entertainment was a subsidiary of SK Planet Co., Ltd. and is engaged in the release of music discs as its primary business. The Group's ownership interests after the disposition is 15.0% and Loen Entertainment, Inc. was excluded from the Group's consolidated financial statements as of the date of the sale.

(2) Results of discontinued operations

Results of discontinued operations included in the consolidated statements of income for the year ended December 31, 2013 are as follows. The consolidated statement of income presented for comparative purposes was restated in order to present discontinued operation segregated from the Group's continuing operations.

| <i>(In millions of won)</i> | 2013 |
|--|----------------|
| Results of discontinued operations: | |
| Revenue | 167,033 |
| Expense | (140,204) |
| Operating income generated by discontinued operations | 26,829 |
| Non-operating income | 3,189 |
| Gain on disposal relating to discontinued operations | 214,352 |
| Income tax expense | (61,125) |
| Gain from discontinued operations | 183,245 |
| Attributable to : | |
| Owners of the Parent Company | 175,867 |
| Non-controlling interests | 7,378 |

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39. Discontinued Operation, Continued

(3) Cash flows from discontinued operations

Cash flows from discontinued operations for the year ended December 31, 2013 are as follows:

| <i>(In millions of won)</i> | 2013 |
|--|----------------|
| Cash flow from discontinued operations: | |
| Net cash provided by operating activities | 40,884 |
| Net cash provided by investing activities | 179,490 |
| Net cash used in financing activities | (4,780) |
| | 215,594 |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

40. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Interest income | (60,006) | (67,359) |
| Dividend | (13,048) | (10,197) |
| Gain on foreign currency translation | (6,277) | (4,401) |
| Gain on disposal of long-term investment securities | (13,994) | (9,300) |
| Gain on valuation of derivatives | (8,713) | |
| Gain on settlement of derivatives | (7,998) | (7,716) |
| Gain related to investments in subsidiaries and associates, net | (906,338) | (921,861) |
| Gain on disposal of property and equipment and intangible assets | (8,792) | (7,991) |
| Reversal of allowance for doubtful accounts | | (359) |
| Gain relating to financial asset at fair value through profit or loss | | (5,177) |
| Other income | (608) | (3,951) |
| Interest expenses | 323,910 | 331,834 |
| Loss on foreign currency translation | 5,079 | 2,634 |
| Loss on disposal of long-term investment securities | 2,694 | 31,909 |
| Impairment loss on long-term investment securities | 24,533 | 52,058 |
| Loss on valuation of derivatives | 10 | 2,106 |
| Loss on settlement of derivatives | 672 | |
| Income tax expense | 454,508 | 461,922 |
| Expense related to defined benefit plan | 112,717 | 92,840 |
| Depreciation and amortization | 2,891,870 | 2,829,784 |
| Bad debt expenses | 45,754 | 57,163 |
| Loss on disposal of property and equipment and intangible assets | 32,950 | 267,702 |
| Impairment loss on property and equipment and intangible assets | 47,489 | 14,399 |
| Loss relating to financial assets at fair value through profit or loss | 1,352 | |
| Loss relating to financial liabilities at fair value through profit or loss | 10,370 | 134,232 |

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| | | |
|--|-----------|-----------|
| Bad debt for accounts receivable other | 17,943 | 22,167 |
| Impairment loss on other investment securities | 22,749 | 6,136 |
| Other expenses | 10,169 | 6,802 |
| | 2,978,995 | 3,275,376 |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

40. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| Accounts receivable trade | (168,839) | (267,754) |
| Accounts receivable other | (52,137) | (41,243) |
| Accrued income | 14 | (502) |
| Advance payments | (62,873) | (26,064) |
| Prepaid expenses | (36,808) | (1,583) |
| V.A.T. refund receivable | 7,200 | (5,442) |
| Inventories | (171) | (39,610) |
| Long-term accounts receivables other | 80 | |
| Guarantee deposits | (12,699) | 59,431 |
| Accounts payable trade | (37,790) | (4,708) |
| Accounts payable other | (296,875) | (131,142) |
| Advanced receipts | 20,701 | (2,916) |
| Withholdings | 306,515 | 22,025 |
| Deposits received | (4,395) | (1,745) |
| Accrued expenses | (79,831) | 98,081 |
| V.A.T. payable | 2,711 | (3,901) |
| Unearned revenue | (140,295) | (188,589) |
| Provisions | (38,469) | (226,644) |
| Long-term provisions | 29,532 | (72,398) |
| Plan assets | (96,847) | (61,856) |
| Retirement benefit payment | (46,531) | (42,948) |
| Others | 474 | (30,362) |
| | (707,333) | (969,870) |

- (3) Significant non-cash transactions for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| | 2,238,620 | 2,320,528 |

| | | |
|---|-----------|-----------|
| Transfer of construction in progress to property and equipment, and intangible assets | | |
| Transfer of other property and equipment and others to construction in progress | 1,090,954 | 1,188,826 |
| Increase(decrease) of accounts payable other related to acquisition of property and equipment and intangible assets | (184,614) | 350,735 |
| Return of the existing 1.8GHz frequency use rights | | 614,600 |

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Exhibit 99.2

SK TELECOM CO., LTD.

Separate Financial Statements

December 31, 2014 and 2013

(With Independent Auditors Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying separate financial statements of SK Telecom Co., Ltd. (the Company) which comprise the separate statements of financial position as at December 31, 2014 and 2013, the separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2014 and 2013 and of its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

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Other Matter

The accompanying separate statement of finance position of the company as of December 31, 2013, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

February 23, 2015

This report is effective as of February 23, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD.

Separate Statements of Financial Position

As of December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2014 | December 31, 2013 |
|--|--------------|------------------------------|------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 30,31 | 248,311 | 448,459 |
| Short-term financial instruments | 5,30,31 | 143,000 | 166,000 |
| Short-term investment securities | 7,30,31 | 197,161 | 102,042 |
| Accounts receivable trade, net | 6,30,31,32 | 1,559,281 | 1,513,138 |
| Short-term loans, net | 6,30,31,32 | 67,989 | 72,198 |
| Accounts receivable other, net | 6,30,31,32 | 305,990 | 388,475 |
| Prepaid expenses | | 86,070 | 82,837 |
| Inventories, net | | 23,694 | 24,596 |
| Non-current assets held for sale | 8 | | 3,667 |
| Advanced payments and other | 6,30,31 | 58,417 | 16,370 |
| Total Current Assets | | 2,689,913 | 2,817,782 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 5,30,31 | 69 | 7,569 |
| Long-term investment securities | 7,30,31 | 608,797 | 729,703 |
| Investments in subsidiaries and associates | 9 | 8,181,769 | 8,010,121 |
| Property and equipment, net | 10,32 | 7,705,906 | 7,459,986 |
| Goodwill | 11 | 1,306,236 | 1,306,236 |
| Intangible assets, net | 12 | 1,928,169 | 2,239,167 |
| Long-term loans, net | 6,30,31,32 | 38,457 | 39,925 |
| Long-term prepaid expenses | | 28,551 | 23,007 |
| Guarantee deposits | 5,6,30,31,32 | 156,807 | 152,057 |
| Long-term derivative financial assets | 17,30,31 | 67,728 | 41,712 |
| Other non-current assets | | 60 | 154 |
| Total Non-Current Assets | | 20,022,549 | 20,009,637 |
| Total Assets | | 22,712,462 | 22,827,419 |

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Financial Position, Continued

As of December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2014 | December 31, 2013 |
|--|-----------------|------------------------------|------------------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | <i>13,30,31</i> | 200,000 | 260,000 |
| Current installments of debentures and long-term borrowings, net | <i>13,30,31</i> | 211,863 | 622,703 |
| Current installments of long-term payables other | <i>14,30,31</i> | 189,389 | 206,800 |
| Accounts payable other | <i>30,31,32</i> | 1,086,485 | 1,556,201 |
| Withholdings | <i>30,31</i> | 801,119 | 574,166 |
| Accrued expenses | <i>30,31</i> | 615,488 | 653,742 |
| Income tax payable | <i>27</i> | 91,315 | 104,564 |
| Unearned revenue | | 92,783 | 178,569 |
| Derivative financial liabilities | <i>17,30,31</i> | | 21,170 |
| Provisions | <i>15</i> | 50,456 | 66,559 |
| Advanced receipts | | 39,148 | 43,599 |
| Total Current Liabilities | | 3,378,046 | 4,288,073 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | <i>13,30,31</i> | 4,655,137 | 4,014,777 |
| Long-term borrowings, excluding current installments | <i>13,30,31</i> | 80,147 | 85,125 |
| Long-term payables other | <i>14,30,31</i> | 657,001 | 828,721 |
| Long-term unearned revenue | | 19,544 | 50,894 |
| Defined benefit liabilities | <i>16</i> | 15,555 | 22,886 |
| Long-term derivative financial liabilities | <i>17,30,31</i> | 130,889 | 100,210 |
| Long-term provisions | <i>15</i> | 27,676 | 19,537 |
| Deferred tax liabilities | <i>27</i> | 144,876 | 44,601 |
| Other non-current liabilities | <i>30,31</i> | 61,370 | 57,187 |
| Total Non-Current Liabilities | | 5,792,195 | 5,223,938 |
| Total Liabilities | | 9,170,241 | 9,512,011 |
| Equity | | | |
| Share capital | <i>1,18</i> | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | <i>18,19,20</i> | 433,894 | 433,894 |
| Retained earnings | <i>21,22</i> | 12,996,790 | 12,665,699 |
| Reserves | <i>23</i> | 66,898 | 171,176 |
| Total Equity | | 13,542,221 | 13,315,408 |

| | | |
|-------------------------------------|-------------------|-------------------|
| Total Liabilities and Equity | 22,712,462 | 22,827,419 |
|-------------------------------------|-------------------|-------------------|

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Income

For the years ended December 31, 2014 and 2013

| <i>(In millions of won except for per share data)</i> | <i>Note</i> | 2014 | 2013 |
|---|-------------|------------------|------------------|
| Operating revenue: | 4,32 | | |
| Revenue | | 13,012,644 | 12,860,379 |
| Operating expense: | 32 | | |
| Labor cost | | 588,635 | 598,885 |
| Commissions paid | | 5,591,245 | 5,333,869 |
| Depreciation and amortization | | 2,095,702 | 2,006,896 |
| Network interconnection | | 771,786 | 770,125 |
| Leased line | | 370,549 | 412,217 |
| Advertising | | 213,605 | 237,291 |
| Rent | | 377,112 | 362,659 |
| Cost of products that have been resold | | 457,049 | 399,810 |
| Other operating expenses | 24 | 809,801 | 768,943 |
| | | 11,275,484 | 10,890,695 |
| Operating income | | 1,737,160 | 1,969,684 |
| Finance income | 26 | 82,276 | 81,196 |
| Finance costs | 26 | (293,338) | (422,764) |
| Other non-operating income | 25 | 37,422 | 47,618 |
| Other non-operating expenses | 25 | (184,177) | (417,252) |
| Loss relating to investments in subsidiaries and associates | 9 | (57,593) | (37,685) |
| Profit before income tax | | 1,321,750 | 1,220,797 |
| Income tax expense | 27 | 293,209 | 310,640 |
| Profit for the year | | 1,028,541 | 910,157 |
| Earnings per share | 28 | | |
| Basic earnings per share (in won) | | 14,262 | 12,837 |
| Diluted earnings per share (in won) | | 14,262 | 12,837 |

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | 2014 | 2013 |
|--|--------------|------------------|----------------|
| Profit for the year | | 1,028,541 | 910,157 |
| Other comprehensive income (loss) | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement of defined benefit liabilities | <i>16</i> | (13,808) | 5,927 |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Net change in unrealized fair value of available-for-sale financial assets | <i>23</i> | (66,103) | 4,795 |
| Net change in unrealized fair value of derivatives | <i>17,23</i> | (38,175) | 11,793 |
| Other comprehensive income(loss) for the year | | (118,086) | 22,515 |
| Total comprehensive income | | 910,455 | 932,672 |

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

| (In millions of won) | Share capital | Capital surplus (deficit) and other capital adjustments | | | | Retained earnings | Reserves | Total equity | |
|-----------------------------------|---------------|---|--------------------|------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | | Paid-in surplus | Treasury stock | Loss on disposal of treasury stock | Hybrid bond | | | | Other |
| Balance, January 1, 2013 | 44,639 | 2,915,887 | (2,410,451) | (18,855) | (722,741) | 12,413,981 | 154,588 | 12,377,048 | |
| Cash dividends | | | | | | (655,946) | | (655,946) | |
| Issuance of hybrid bond | | | | | 398,518 | | | 398,518 | |
| Interest on hybrid bond | | | | | | (8,420) | | (8,420) | |
| Treasury stock | | | 270,768 | 768 | | | | 271,536 | |
| Total comprehensive income | | | | | | | | | |
| Profit for the year | | | | | | 910,157 | | 910,157 | |
| Other comprehensive income | | | | | | 5,927 | 16,588 | 22,515 | |
| | | | | | | 916,084 | 16,588 | 932,672 | |
| Balance, December 31, 2013 | 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,665,699 | 171,176 | 13,315,408 |
| Balance, January 1, 2014 | 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,665,699 | 171,176 | 13,315,408 |
| Cash dividends | | | | | | (666,802) | | (666,802) | |
| Interest on hybrid bond | | | | | | (16,840) | | (16,840) | |
| Total comprehensive income | | | | | | | | | |
| Profit for the year | | | | | | 1,028,541 | | 1,028,541 | |
| | | | | | | (13,808) | (104,278) | (118,086) | |

Other
comprehensive
loss

| | | | | | | | | | |
|--|--|--|--|--|--|--|-----------|-----------|---------|
| | | | | | | | 1,014,733 | (104,278) | 910,455 |
|--|--|--|--|--|--|--|-----------|-----------|---------|

**Balance,
December 31,
2014**

| | | | | | | | | |
|---------------|------------------|--------------------|-----------------|----------------|------------------|-------------------|---------------|-------------------|
| 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,996,790 | 66,898 | 13,542,221 |
|---------------|------------------|--------------------|-----------------|----------------|------------------|-------------------|---------------|-------------------|

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Cash Flows

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | <i>Note</i> | 2014 | 2013 |
|--|-------------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | 1,028,541 | 910,157 |
| Adjustments for income and expenses | 34 | 2,886,389 | 3,120,427 |
| Changes in assets and liabilities related to operating activities | 34 | (334,898) | (714,862) |
| Sub-total | | 3,580,032 | 3,315,722 |
| Interest received | | 20,954 | 29,695 |
| Dividends received | | 13,048 | 20,641 |
| Interest paid | | (224,119) | (246,632) |
| Income tax paid | | (168,482) | (96,953) |
| Net cash provided by operating activities | | 3,221,433 | 3,022,473 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term financial instruments, net | | 30,500 | 13,300 |
| Collection of short-term loans | | 197,925 | 279,815 |
| Decrease in long-term financial instruments | | 2,522 | |
| Proceeds from disposal of long-term investment securities | | 54,218 | 29,762 |
| Proceeds from disposal of investments in subsidiaries and associates | | | 1,808 |
| Proceeds from disposal of property and equipment | | 25,677 | 3,148 |
| Proceeds from disposal of intangible assets | | 1,127 | 965 |
| Proceeds from disposal of assets held for sale | | 3,667 | 190,393 |
| Collection of long-term loans | | 3,660 | 11,727 |
| Proceeds from disposal of other non-current assets | | 93 | 290 |
| Sub-total | | 319,389 | 531,208 |
| Cash outflows for investing activities: | | | |
| Increase in short-term investment securities, net | | (94,802) | (45,031) |
| Increase in short-term loans | | (195,700) | (275,913) |
| Increase in long-term financial instruments | | (2,522) | (7,500) |
| Acquisition of long-term investment securities | | (28,801) | (9,313) |
| Acquisition of investments in subsidiaries and associates | | (210,060) | (206,791) |
| Acquisition of property and equipment | | (2,319,016) | (2,201,354) |
| Acquisition of intangible assets | | (91,060) | (179,069) |
| Increase in long-term loans | | (45) | |
| Sub-total | | (2,942,006) | (2,924,971) |

| | | |
|--|--------------------|--------------------|
| Net cash used in investing activities | (2,622,617) | (2,393,763) |
|--|--------------------|--------------------|

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Cash Flows, Continued

For the years ended December 31, 2014 and 2013

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|--------------------|--------------------|
| Cash flows from financing activities: | | |
| Cash inflows from financing activities: | | |
| Proceeds from long-term borrowings | 3,552 | 96,455 |
| Issuance of hybrid bond | | 398,518 |
| Issuance of debentures | 797,364 | 1,014,859 |
| Cash inflows from settlement of derivatives | 119 | 20,026 |
| Sub-total | 801,035 | 1,529,858 |
| Cash outflows for financing activities: | | |
| Decrease in short-term borrowings, net | (60,000) | (70,000) |
| Repayment of long-term borrowings | (12,814) | (457,110) |
| Repayment of long-term account payables-other | (207,668) | (161,575) |
| Repayment of debentures | (629,940) | (621,976) |
| Payment of cash dividends | (666,802) | (655,946) |
| Payment of interest on hybrid bond | (16,840) | |
| Cash outflows from settlement of derivatives | (5,882) | |
| Sub-total | (1,599,946) | (1,966,607) |
| Net cash used in financing activities | (798,911) | (436,749) |
| Net increase (decrease) in cash and cash equivalents | (200,095) | 191,961 |
| Cash and cash equivalents at beginning of the year | 448,459 | 256,577 |
| Effects of exchange rate changes on cash and cash equivalents | (53) | (79) |
| Cash and cash equivalents at end of the year | 248,311 | 448,459 |

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of the Republic of Korea (Korea) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2014, the Company s total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|--|-----------------------------|--|
| SK Holdings Co., Ltd. | 20,363,452 | 25.22 |
| National Pension Service | 5,722,692 | 7.09 |
| Institutional investors and other minority stockholders | 44,850,192 | 55.54 |
| Treasury stock | 9,809,375 | 12.15 |
| Total number of shares | 80,745,711 | 100.00 |

2. Basis of Presentation**(1) Statement of compliance**

These separate financial statements were prepared in accordance with (K-IFRS), as prescribed in the Act on External Audit of Stock Companies in the Republic of Korea.

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, Separate Financial Statements presented by a parent, an investor with joint control of, of significant influence over, an investee, in which the investments are accounted for at cost.

The separate financial statements were authorized for issuance by the Board of Directors on February 5, 2015, which will be submitted for approval at the shareholders meeting to be held on March 20, 2015.

(2) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following material items in the separate statement of financial position:

derivative financial instruments are measured at fair value

financial instruments at fair value through profit or loss are measured at fair value

available-for-sale financial assets are measured at fair value

liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation, Continued

(4) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

revenue (See Note 4.(21))

classification of lease (See Note 4.(13))

2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: allowance for doubtful accounts, estimated useful lives of property and equipment and intangible assets, impairment of goodwill, recognition of provision, measurement of defined benefit obligations and recognition of deferred tax assets (liabilities).

3) Fair value measurement

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

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

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

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

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

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

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2. Basis of Presentation, Continued

(4) Use of estimates and judgments, Continued

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

Information about assumptions used for fair value measurements are included in Note 31.

(5) Common control transactions

SK Holdings Co., Ltd. (the Ultimate Controlling Entity) is the Ultimate Controlling Entity of the Company because it controls the Company. Accordingly, gains and losses from business acquisitions and dispositions involving entities that are under the control of the Ultimate Controlling Entity are accounted for as common control transactions within equity.

3. Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 4 to all periods presented in these financial statements.

The Company has adopted the following amendments to standards with a date of initial application of January 1, 2014.

(1) Offsetting financial assets and financial liabilities

The Company has adopted amendments to K-IFRS 1032, *Offsetting Financial Assets and Financial Liabilities* since January 1, 2014. The amendments clarify the meaning of *currently has a legally enforceable right of set-off* . According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

There is no material impact of the application of this amendment on the Company's financial statements.

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4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate financial statements in accordance with K-IFRSs are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for those as described in Note 3.

(1) Operating segments

The Company presents disclosures relating to operating segments on its separate financial statements in accordance with K-IFRS No. 1108, *Operating Segments* and such disclosures are not separately disclosed on these separate financial statements.

(2) Investments in subsidiaries and associates

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(4) Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(v) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of income. The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(6) Derivative financial instruments, including hedge accounting, Continued

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset is impaired includes following loss events:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as default or delinquency in interest or principal payments;

the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued**(8) Property, plant and equipment, Continued**

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Company's property, plant and equipment are as follows:

| | Useful lives (years) |
|--|----------------------|
| Buildings and structures | 15, 30 |
| Machinery | 3 ~ 6 |
| Other property, plant and equipment (Other PP&E) | 4 ~ 10 |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(9) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

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4. Significant Accounting Policies, Continued**(10) Intangible assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Company's intangible assets are as follows:

| | Useful lives (years) |
|-----------------------|----------------------|
| Frequency use rights | 6.3 ~ 13.1 |
| Land use rights | 5 |
| Industrial rights | 5, 10 |
| Development costs | 5 |
| Facility usage rights | 10, 20 |
| Other | 3 ~ 20 |

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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4. Significant Accounting Policies, Continued

(11) Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(i) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

(ii) Grants related to income

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

(12) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(13) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Company recognizes as finance assets and finance liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Company recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, Impairment of Assets .

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(15) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the separate statements of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(16) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Any changes from remeasurements are recognized through profit or loss in the period in which they arise.

(iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: defined benefit plans

As of the end of reporting period, defined benefit liabilities relating to defined benefit plans are recognized as present value of defined benefit obligations net of fair value of plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligations, the Company recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of the net defined benefit liability comprise of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and recognized in other comprehensive income. The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the plan amendment or curtailment occurs, gains or losses on amendment or curtailment in benefits for the past service provided are recognized through profit or loss. The Company recognizes gain or loss on a settlement when the settlement of defined benefit plan occurs.

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(17) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(18) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(19) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(20) Hybrid bond

The Company recognizes a financial instrument issued by the Company as an equity instrument if it does not include contractual obligation to deliver financial assets including cash to the counter party.

(21) Revenue

Revenue from the sale of goods, rendering of services or use of assets is measured at the fair value of the consideration received or receivable. Returns, trade discounts and volume rebates, and are recognized as a reduction of revenue.

(i) Services

Revenue from cellular services consists of revenue from basic charges, voice charges, data charges, data-roaming services and interconnection charges. Such revenues are recognized as services are performed. Revenues received for the activation of service are deferred and recognized over the average customer retention period.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(ii) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit.

(iii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to the award credits is estimated by reference to the fair value of the services to be provided with respect to the redeemable award credits. The fair value of the services to be provided with respect to the redeemable portion of the award credits granted to the customers in accordance with customer loyalty programmes is estimated taking into account the expected redemption rate and timing of the expected redemption. Considerations allocated to the award credits are deferred and revenue is recognized when the award credits are recovered and the Company performs its obligation to provide the service. The amount of revenue recognized is based on the relative size of the total award credits that are expected to be redeemed and the redeemed award credits in exchange for services.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(22) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures are recognized in profit or loss using the effective interest rate method.

(23) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable

future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(23) Income taxes, Continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if (a) there is a legally enforceable right to offset the related current tax liabilities and assets, (b) they relate to income taxes levied by the same tax authority and (c) they intend to settle current tax liabilities and assets on a net basis. Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

(24) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(25) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning on or after January 1, 2014, and the Company has not early adopted them.

As of December 31, 2014, management is not able to evaluate the impact, if any, of applying these standards on its financial position and results of operations.

- 1) K-IFRS 1019 Employee Benefits Employee contributions

Amendments to K-IFRS 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits. This amendment is effective for annual periods beginning on or after July 1, 2014, with early adoption permitted.

2) K-IFRS 1027 Separate Financial Statements

Amendments to K-IFRS 1027 introduced equity accounting as a third option in the entity's separate financial statements, in addition to the existing cost and equity method options. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

5. Restricted Deposits

Deposits which are restricted in use as of December 31, 2014 and 2013 are summarized as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|----------------------------------|--------------------------|--------------------------|
| Short-term financial instruments | | |
| Charitable fund(*) | 85,500 | 76,000 |
| Long-term financial instruments | | |
| Charitable fund(*) | | 7,500 |
| Other | 69 | 69 |
| Guarantee deposits | 280 | 40 |
| | 85,849 | 83,609 |

(*) The Company established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2014, the funds cannot be withdrawn.

6. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | |
|-----------------------------|--------------------------|----------------------------------|------------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable trade | 1,665,941 | (106,660) | 1,559,281 |
| Short-term loans | 68,676 | (687) | 67,989 |
| Accounts receivable other | 366,821 | (60,831) | 305,990 |
| Accrued income | 6,354 | | 6,354 |
| | 2,107,792 | (168,178) | 1,939,614 |
| Non-current assets: | | | |

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| | | | |
|--------------------|-----------|-----------|-----------|
| Long-term loans | 60,130 | (21,673) | 38,457 |
| Guarantee deposits | 156,807 | | 156,807 |
| | 216,937 | (21,673) | 195,264 |
| | 2,324,729 | (189,851) | 2,134,878 |

| <i>(In millions of won)</i> | December 31, 2013 | | Carrying amount |
|-----------------------------|-------------------|---------------------------|-----------------|
| | Gross Amount | Allowances for impairment | |
| Current assets: | | | |
| Accounts receivable trade | 1,614,466 | (101,328) | 1,513,138 |
| Short-term loans | 72,928 | (730) | 72,198 |
| Accounts receivable other | 439,209 | (50,734) | 388,475 |
| Accrued income | 5,682 | | 5,682 |
| | 2,132,285 | (152,792) | 1,979,493 |
| Non-current assets: | | | |
| Long-term loans | 61,613 | (21,688) | 39,925 |
| Guarantee deposits | 152,057 | | 152,057 |
| | 213,670 | (21,688) | 191,982 |
| | 2,345,955 | (174,480) | 2,171,475 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

6. Trade and Other Receivables, Continued

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the years ended December 31, 2014 and 2013 were as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Balance at January 1 | 174,480 | 153,337 |
| Increase of bad debt allowances | 43,186 | 52,835 |
| Write-offs | (49,926) | (51,063) |
| Collection of receivables previously written-off | 22,111 | 19,371 |
| Balance at December 31 | 189,851 | 174,480 |

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | December 31, 2013 | |
|----------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | Accounts receivable | Other receivables | Accounts receivable | Other receivables |
| | - | | - | |
| Neither overdue nor impaired | 1,182,627 | 553,014 | 1,169,946 | 622,679 |
| Overdue but not impaired | 47,663 | | 32,705 | |
| Impaired | 435,651 | 105,774 | 411,815 | 108,810 |
| | 1,665,941 | 658,788 | 1,614,466 | 731,489 |
| Allowances for doubtful accounts | (106,660) | (83,191) | (101,328) | (73,152) |
| | 1,559,281 | 575,597 | 1,513,138 | 658,337 |

The Company establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period, past customer default experience, customer credit status, and economic and industrial factors.

- (4) The aging of overdue but not impaired accounts receivable as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
| Less than 1 month | 12,045 | 9,549 |
| 1 ~ 3 months | 15,222 | 6,975 |
| 3 ~ 6 months | 8,591 | 2,565 |
| More than 6 months | 11,805 | 13,616 |
| | 47,663 | 32,705 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

7. Investment Securities

(1) Details of short-term investment securities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|------------------------------|------------------------------|
| Beneficiary certificates(*) | 197,003 | 101,414 |
| Current portion of long-term investment securities | 158 | 628 |
| | 197,161 | 102,042 |

(*) The interest distributions arising from beneficiary certificates as of December 31, 2014, were accounted for as accrued income.

(2) Details of long-term available-for-sale financial assets as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--------------------------------|------------------------------|------------------------------|
| Equity securities: | | |
| Marketable equity securities | 490,741 | 574,321 |
| Unlisted equity securities(*1) | 28,696 | 22,870 |
| Equity investments(*2) | 73,054 | 111,792 |
| | 592,491 | 708,983 |
| Debt securities: | | |
| Public bonds(*3) | 158 | 356 |
| Investment bonds(*4) | 16,306 | 20,992 |
| | 16,464 | 21,348 |
| Total | 608,955 | 730,331 |
| | (158) | (628) |

| | | |
|---|---------|---------|
| Less current portion of long-term investment securities | | |
| Long-term investment securities | 608,797 | 729,703 |

(*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.

(*2) Equity investments are recorded at cost.

(*3) Details of maturity for the public bonds as of December 30, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
| Less than 1 year | 158 | 356 |

(*4) During the year ended December 31, 2014, the Company exercised the conversion right for the convertible bonds of NanoEnTek, Inc., which were the Parent Company is able to exercise significant influence on NanoEnTek, Inc. classified as financial assets at fair value through profit or loss. As a result of this transaction, investments in associates have increased by 19,180 million and the difference between carrying amount of the financial assets at fair value and fair value of 1,352 million is accounted for as finance costs. In addition, during the year ended December 31, 2014, the Company classified the convertible bonds of IRIVER LIMITED, amounting to 7,817 million, as financial assets at fair value through profit or loss and the difference between carrying amount and fair value was accounted for as gain or loss relating to financial assets at fair value through profit or loss.

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

8. Non-current Assets Held for Sale

Non-current assets held for sale as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
| Investments in associates: | | |
| TR Entertainment(*1) | | 2,611 |
| SK Fans Co., Ltd.(*2) | | 1,056 |
| | | 3,667 |

(*1) A disposal contract for the Company's entire ownership interests in TR Entertainment was entered into during the year ended December 31, 2013 and the investment in the associate was reclassified to assets classified held for sale and an impairment loss of 4,019 million was recognized. During the year ended December 31, 2014, the Company disposed of its investments in TR Entertainment.

(*2) During the year ended December 31, 2013, contract changes for SK Fans Co., Ltd. was made and the Company recognized the difference between the changes and the existing contractual amount as impairment loss. During the year ended December 31, 2014, the Company disposed of its investments in SK Fans Co., Ltd.

9. Investments in Subsidiaries and Associates

(1) Investments in subsidiaries and associates as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
| Investments in subsidiaries | 3,614,750 | 3,453,988 |
| Investments in associates | 4,567,019 | 4,556,133 |
| | 8,181,769 | 8,010,121 |

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

9. Investments in Subsidiaries and Associates, Continued

(2) Details of investments in subsidiaries as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | | December 31, |
|--|---------------------|------------------|--------------------|--------------------|
| | Number of shares | Ownership (%) | Carrying amount | Carrying amount |
| SK Telink Co., Ltd. | 1,082,272 | 83.5 | 144,740 | 144,740 |
| SK Broadband Co., Ltd. | 149,638,354 | 50.6 | 1,242,247 | 1,242,247 |
| PS&Marketing Corporation(*1) | 66,000,000 | 100.0 | 313,934 | 213,934 |
| Service Ace Co., Ltd. | 4,385,400 | 100.0 | 21,927 | 21,927 |
| Service Top Co., Ltd. | 2,856,200 | 100.0 | 14,281 | 14,281 |
| Network O&S Co., Ltd. | 3,000,000 | 100.0 | 15,000 | 15,000 |
| SK Planet Co., Ltd. | 72,927,317 | 100.0 | 1,538,020 | 1,538,020 |
| Neosnetworks Co., Ltd.(*2) | 31,310 | 66.7 | 23,968 | |
| IRIVER LIMITED(*3) | 15,202,039 | 49.0 | 54,503 | |
| SK Telecom China Holdings Co., Ltd. | | 100.0 | 29,116 | 29,116 |
| SKT Vietnam PTE. Ltd. | 180,476,700 | 73.3 | 2,364 | 2,364 |
| SKT Americas, Inc.(*4) | 122 | 100.0 | 83,871 | 76,764 |
| YTK Investment Ltd.(*5) | | 100.0 | 27,945 | 69,464 |
| Atlas Investment(*4) | | 100.0 | 77,050 | 60,347 |
| SK Global Healthcare Business Group Ltd. | | 100.0 | 25,784 | 25,784 |
| | | | 3,614,750 | 3,453,988 |

(*1) The Company participated in increasing paid-in capital and additionally obtained 20,000,000 shares.

(*2) During the year ended December 31, 2014, the Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Company entered into a shareholders' agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Company for those shares if certain conditions are met.

(*3) The Company newly acquired 10,241,722 shares of IRIVER LIMITED and additionally acquired 4,960,317 shares by participating in the capital increase during the year ended December 31, 2014.

(*4) The carrying amount increased due to additional investment during the year ended December 31, 2014.

(*5) For the year ended December 31, 2014, carrying amount in excess of the fair value less cost to sell of 41,519 million was recognized as impairment loss.

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

9. Investments in Subsidiaries and Associates, Continued

(3) Details of investments in associates as of December 31, 2014 and 2013 are as follows:

| (In millions of won) | December 31, 2014 | | December 31, 2013 | |
|---|-------------------|--------------------------|-------------------|-----------------|
| | Number of shares | Ownership percentage (%) | Carrying amount | Carrying amount |
| SK China Company Ltd.(*1) | 720,000 | 9.6 | 47,830 | 47,830 |
| HappyNarae Co., Ltd. | 680,000 | 42.5 | 12,250 | 12,250 |
| Korea IT Fund(*2) | 190 | 63.3 | 220,957 | 220,957 |
| Wave City Development Co., Ltd.(*1) | 382,000 | 19.1 | 1,532 | 1,532 |
| KEB HanaCard Co., Ltd.(*3) | 67,627,587 | 25.4 | 430,044 | 400,000 |
| Daehan Kanggun BcN Co., Ltd. | 1,675,126 | 29.0 | 8,340 | 8,340 |
| NanoEnTek, Inc.(*4) | 5,870,290 | 26.0 | 37,959 | 11,000 |
| SK Industrial Development China Co., Ltd. | 77,762,360 | 21.0 | 83,691 | 83,691 |
| Packet One Network(*1,5) | 2,265,944 | 13.6 | 60,706 | 60,706 |
| SK Technology Innovation Company(*6) | 14,700 | 49.0 | 45,864 | 85,873 |
| SK hynix Inc. | 146,100,000 | 20.1 | 3,374,725 | 3,374,725 |
| SK MENA Investment B.V. | 9,772,686 | 32.1 | 14,485 | 14,485 |
| SK Latin America Investment S.A. | 9,448,937 | 32.1 | 14,243 | 14,243 |
| SKY Property Mgmt. Ltd. | 12,639 | 33.0 | 145,656 | 145,656 |
| SK Wyverns Baseball Club Co., Ltd. and others(*6) | | | 68,737 | 74,845 |
| | | | 4,567,019 | 4,556,133 |

(*1) Classified as investments in associates because the Company can exercise significant influence over the associate through participation on the associate's board of directors.

(*2) Classified as an investment in associate because the Company has less than 50% of the voting rights of the board of directors.

(*3) During the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Company's associate, and KEB Card Co., Ltd., the Company exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the surviving company, KEB HanaCard Co., Ltd.

(*4)

The number of shares increased by 2,812,374 and 1,250,786, respectively, due to a conversion of convertible bond and the additional investment during the year ended December 31, 2014.

- (*5) The ownership percentage decreased due to unequal increase in paid-in capital during the year ended December 31, 2014.
- (*6) During the year ended December 31, 2014, the difference between the recoverable amount and carrying amount of shares of SK Technology Innovation Company and Gemini, amounting to 46,116 million, was recognized as impairment loss.

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9. Investments in Subsidiaries and Associates, Continued

(4) The market price of investments in listed subsidiaries as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won, except for share data)</i> | December 31, 2014 | | | December 31, 2013 | | |
|--|------------------------------------|------------------|--------------|------------------------------------|------------------|--------------|
| | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| IRIVER LIMITED | 6,370 | 15,202,039 | 96,837 | | | |
| SK Broadband Co., Ltd. | 4,380 | 149,638,354 | 655,416 | 4,375 | 149,638,354 | 654,668 |

10. Property and Equipment

(1) Property and equipment as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | |
|-----------------------------|-------------------|--------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | 448,255 | | 448,255 |
| Buildings | 1,033,307 | (464,433) | 568,874 |
| Structures | 735,507 | (384,592) | 350,915 |
| Machinery | 20,502,955 | (15,225,026) | 5,277,929 |
| Other | 1,213,336 | (782,858) | 430,478 |
| Construction in progress | 629,455 | | 629,455 |
| | 24,562,815 | (16,856,909) | 7,705,906 |

| <i>(In millions of won)</i> | December 31, 2013 | | |
|-----------------------------|-------------------|--------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |

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| | | | |
|--------------------------|------------|--------------|-----------|
| Land | 416,991 | | 416,991 |
| Buildings | 1,015,619 | (430,244) | 585,375 |
| Structures | 714,814 | (351,721) | 363,093 |
| Machinery | 18,807,106 | (13,862,018) | 4,945,088 |
| Other | 1,223,845 | (751,013) | 472,832 |
| Construction in progress | 676,607 | | 676,607 |
| | 22,854,982 | (15,394,996) | 7,459,986 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

10. Property and Equipment, Continued

(2) Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | | | Ending balance |
|-----------------------------|----------------------|-------------|----------|-------------|--------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | 416,991 | 7,502 | (12) | 23,774 | | 448,255 |
| Buildings | 585,375 | 1,722 | (135) | 16,311 | (34,399) | 568,874 |
| Structures | 363,093 | 8,908 | (39) | 11,843 | (32,890) | 350,915 |
| Machinery | 4,945,088 | 208,645 | (19,955) | 1,724,311 | (1,580,160) | 5,277,929 |
| Other | 472,832 | 1,093,655 | (4,074) | (1,025,891) | (106,044) | 430,478 |
| Construction in progress | 676,607 | 776,239 | (14,922) | (808,469) | | 629,455 |
| | 7,459,986 | 2,096,671 | (39,137) | (58,121) | (1,753,493) | 7,705,906 |

| <i>(In millions of won)</i> | 2013 | | | | | Ending balance |
|-----------------------------|----------------------|-------------|----------|-------------|--------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | 395,968 | 6,865 | (21) | 14,179 | | 416,991 |
| Buildings | 607,973 | 729 | (139) | 11,045 | (34,233) | 585,375 |
| Structures | 363,364 | 17,779 | (18) | 15,315 | (33,347) | 363,093 |
| Machinery | 4,532,811 | 205,190 | (6,250) | 1,735,502 | (1,522,165) | 4,945,088 |
| Other | 579,448 | 1,162,131 | (3,491) | (1,157,528) | (107,728) | 472,832 |
| Construction in progress | 639,526 | 841,444 | (25,105) | (779,258) | | 676,607 |
| | 7,119,090 | 2,234,138 | (35,024) | (160,745) | (1,697,473) | 7,459,986 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

11. Goodwill

Goodwill as of December 31, 2014 and 2013 is as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236 | 1,306,236 |

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.2% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 1.8% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Company's long-term wireless business growth. Management of the Company does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

12. Intangible Assets

(1) Intangible assets as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | Carrying amount |
|-----------------------------|-------------------------|---------------------------------|-------------------------------|------------------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 3,033,879 | (1,649,835) | | 1,384,044 |
| Land use rights | 43,192 | (29,176) | | 14,016 |
| Industrial rights | 37,770 | (27,187) | | 10,583 |
| Development costs | 99,215 | (99,215) | | |
| Facility usage rights | 45,636 | (29,793) | | 15,843 |
| Memberships(*1) | 81,955 | | (18,490) | 63,465 |
| Other(*2) | 1,840,574 | (1,400,356) | | 440,218 |
| | 5,182,221 | (3,235,562) | (18,490) | 1,928,169 |

2013

| <i>(In millions of won)</i> | Acquisition cost | Accumulated depreciation | Carrying amount |
|-----------------------------|-------------------------|---------------------------------|------------------------|
| Frequency use rights | 3,033,879 | (1,369,308) | 1,664,571 |
| Land use rights | 34,755 | (25,003) | 9,752 |
| Industrial rights | 32,860 | (23,747) | 9,113 |
| Development costs | 101,957 | (101,957) | |
| Facility usage rights | 43,461 | (27,306) | 16,155 |
| Memberships(*1) | 82,815 | | 82,815 |
| Other(*2) | 1,702,751 | (1,245,990) | 456,761 |
| | 5,032,478 | (2,793,311) | 2,239,167 |

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Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

12. Intangible Assets, Continued

(1) Intangible assets as of December 31, 2014 and 2013 are as follows, Continued:

(*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(*2) Other intangible assets primarily consist of computer software and usage rights to a research facility which the Company built and donated to a university and the Company is given rights-to-use for a definite number of years.

(2) Details of changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | | | | | Ending balance |
|-----------------------------|------------------------------|--------------------|-----------------|-----------------|---------------------|----------------------------|---------------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | Impairment loss | |
| Frequency use rights | 1,664,571 | | | | (280,527) | | 1,384,044 |
| Land use rights | 9,752 | 8,737 | | | (4,473) | | 14,016 |
| Industrial rights | 9,113 | 4,959 | (2) | | (3,487) | | 10,583 |
| Facility usage rights | 16,155 | 1,890 | (30) | 382 | (2,554) | | 15,843 |
| Memberships(*) | 82,815 | | (860) | | | (18,490) | 63,465 |
| Other | 456,761 | 75,474 | (592) | 72,760 | (164,185) | | 440,218 |
| | 2,239,167 | 91,060 | (1,484) | 73,142 | (455,226) | (18,490) | 1,928,169 |

(*) The Company recognized the difference between recoverable amount and the carrying amount of memberships, amounting to 18,490 million as impairment loss for the year ended December 31, 2014.

| <i>(In millions of won)</i> | 2013 | | | | | | Ending balance |
|-----------------------------|------------------------------|--------------------|-----------------|-----------------|---------------------|--|---------------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | | |
| Frequency use rights(*) | 1,693,868 | 1,046,833 | (814,213) | | (261,917) | | 1,664,571 |
| Land use rights | 9,815 | 4,275 | (51) | | (4,287) | | 9,752 |
| Industrial rights | 9,769 | 1,910 | (74) | | (2,492) | | 9,113 |

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| | | | | | | |
|-----------------------|-----------|-----------|-----------|---------|-----------|-----------|
| Development costs | 665 | | | | (665) | |
| Facility usage rights | 16,786 | 1,930 | (75) | 9 | (2,495) | 16,155 |
| Memberships | 81,518 | 2,131 | (834) | | | 82,815 |
| Other | 375,451 | 53,599 | (184) | 174,086 | (146,191) | 456,761 |
| | 2,187,872 | 1,110,678 | (815,431) | 174,095 | (418,047) | 2,239,167 |

(*) The Company newly acquired 1.8GHz frequency use rights through auction during the year ended December 31, 2013 and returned the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Company recognized 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

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For the years ended December 31, 2014 and 2013

12. Intangible Assets, Continued

- (3) Research and development expenditure recognized as expense for the years ended December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|-------------|-------------|
| Research and development costs expensed as incurred | 240,562 | 231,767 |

- (4) The carrying amount and residual useful lives of frequency usage rights as of December 31, 2014 are as follows, all of which are depreciated on a straight-line basis:

| <i>(In millions of won)</i> | Amount | Description | Commencement of amortization | Completion of amortization |
|-----------------------------|---------------|---|---|---------------------------------------|
| W-CDMA license | 198,542 | Frequency use rights relating to W-CDMA service | Dec. 2003 | Dec. 2016 |
| W-CDMA license | 32,622 | Frequency use rights relating to W-CDMA service | Oct. 2010 | Dec. 2016 |
| 800MHz license | 263,536 | Frequency use rights relating to CDMA and LTE service | Jul. 2011 | Jun. 2021 |
| 1.8GHz license | 879,340 | Frequency use rights relating to LTE service | Sep. 2013 | Dec. 2021 |
| WiBro license | 10,004 | WiBro service | Mar. 2012 | Mar. 2019 |
| | 1,384,044 | | | |

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For the years ended December 31, 2014 and 2013

13. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

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

| Lender | Annual interest rate (%) | Maturity | December 31, 2014 | December 31, 2013 |
|------------------------|---------------------------------|-----------------|--------------------------|--------------------------|
| Kookmin Bank | 3.48 | Jan. 3, 2014 | | 60,000 |
| Korea Development Bank | 2.48 | Apr. 30, 2015 | 100,000 | |
| CP | 3.09 | Jan. 3, 2014 | | 100,000 |
| | 3.09 | Jan. 6, 2014 | | 100,000 |
| | 2.37 | Jan. 15, 2015 | 100,000 | |
| | | | 200,000 | 260,000 |

(2) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

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

| Lender | Annual interest rate (%) | Maturity | December 31, 2014 | December 31, 2013 |
|---|---------------------------------|-----------------|--------------------------|--------------------------|
| Export Kreditnamnden(*) | | | 94,903 | 99,975 |
| | 1.70 | Apr. 29, 2022 | (USD 86,338) | (USD 94,736) |
| | | | 94,903 | 99,975 |
| Less present value discount on long-term borrowings | | | (2,623) | (3,287) |
| | | | 92,280 | 96,688 |
| Less current portion of long-term borrowings | | | (12,133) | (11,563) |
| | | | 80,147 | 85,125 |

- (*) For the years ended December 31, 2014 and 2013, the Company obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installments on an annual basis from 2014 to 2022.

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13. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows:

(In millions of won, thousands of U.S. dollars, and thousands of

| <i>other currencies)</i> | Purpose | Maturity | Annual interest rate (%) | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------------|-----------------|---------------------------------|--------------------------|--------------------------|
| Unsecured private bonds | Refinancing fund | 2016 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2014 | 5.00 | | 200,000 |
| Unsecured private bonds | Other fund | 2015 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2018 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2016 | 5.54 | 40,000 | 40,000 |
| Unsecured private bonds | | 2016 | 5.92 | 230,000 | 230,000 |
| Unsecured private bonds | Operating fund | 2016 | 3.95 | 110,000 | 110,000 |
| Unsecured private bonds | | 2021 | 4.22 | 190,000 | 190,000 |
| Unsecured private bonds | Operating and refinancing fund | 2019 | 3.24 | 170,000 | 170,000 |
| Unsecured private bonds | | 2022 | 3.30 | 140,000 | 140,000 |
| Unsecured private bonds | | 2032 | 3.45 | 90,000 | 90,000 |
| Unsecured private bonds | Operating fund | 2023 | 3.03 | 230,000 | 230,000 |
| Unsecured private bonds | | 2033 | 3.22 | 130,000 | 130,000 |
| Unsecured private bonds | | 2019 | 3.30 | 50,000 | |
| Unsecured private bonds | | 2024 | 3.64 | 150,000 | |
| Unsecured private bonds(*3) | | 2029 | 4.73 | 55,188 | |
| Unsecured private bonds(*3) | | 2029 | 4.72 | 55,177 | |
| Unsecured private bonds | Refinancing fund | 2019 | 2.53 | 160,000 | |
| Unsecured private bonds | | 2021 | 2.66 | 150,000 | |
| Unsecured private bonds | | 2024 | 2.82 | 190,000 | |
| Foreign global bonds | Operating fund | 2027 | 6.63 | 439,680 | 422,120 |
| | | | | (USD 400,000) | (USD 400,000) |
| Exchangeable bonds (*2) | Refinancing fund | 2014 | 1.75 | | 96,147 |
| | | | | | (USD 91,109) |
| Floating rate notes (*1) | Operating fund | 2014 | 3M Libor + 1.60 | | 263,825 |
| | | | | | (USD 250,000) |
| Floating rate notes | | 2014 | SOR rate + 1.20 | | 54,129 |
| | | | | | (SGD 65,000) |

| | | | | |
|------------------------------------|------|-----------------|---------------|---------------|
| Swiss unsecured private bonds | 2017 | 1.75 | 333,429 | 356,601 |
| | | | (CHF 300,000) | (CHF 300,000) |
| Foreign global bonds | 2018 | 2.13 | 769,440 | 738,710 |
| | | | (USD 700,000) | (USD 700,000) |
| Australian unsecured private bonds | 2017 | 4.75 | 269,727 | 281,988 |
| | | | (AUD 300,000) | (AUD 300,000) |
| Floating rate notes (*1) | 2020 | 3M Libor + 0.88 | 329,760 | 316,590 |
| | | | (USD 300,000) | (USD 300,000) |
| | | | 4,882,401 | 4,660,110 |
| Less discounts on bonds | | | (27,534) | (34,193) |
| | | | 4,854,867 | 4,625,917 |
| Less current portion of bonds | | | (199,730) | (611,140) |
| | | | 4,655,137 | 4,014,777 |

(*1) As of December 31, 2014, 3M Libor rate is 0.23%.

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For the years ended December 31, 2014 and 2013

13. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued:

(*2) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Company may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Company will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and redeemed by cash during the year ended December 31, 2014.

(*3) The Company settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 10,365 million as of December 31, 2014.

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For the years ended December 31, 2014 and 2013

14. Long-term Payables Other

- (1) As of December 31, 2014 and 2013, long-term payables other consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHz, 2.3GHz and 1.8GHz frequencies as follows (See Note 12):

| <i>(In millions of won)</i> | Period of repayment | Coupon rate | Annual effective interest rate(*) | December 31, 2014 | December 31, 2013 |
|---|----------------------------|--------------------|--|--------------------------|--------------------------|
| 2.1GHz | 2012~2014 | 3.58% | 5.89% | | 17,533 |
| 800MHz | 2013~2015 | 3.51% | 5.69% | 69,416 | 138,833 |
| 2.3GHz | 2014~2016 | 3.00% | 5.80% | 5,766 | 8,650 |
| 1.8GHz | 2012~2021 | 2.43~3.00% | 4.84~5.25% | 824,841 | 942,675 |
| | | | | 900,023 | 1,107,691 |
| Present value discount on long-term payables other | | | | (53,633) | (72,170) |
| | | | | 846,390 | 1,035,521 |
| Less current portion of long-term payables other | | | | (190,134) | (207,668) |
| Current portion of present value discount on long-term payables other | | | | 745 | 868 |
| Carrying amount at December 31 | | | | 657,001 | 828,721 |

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

- (2) The repayment schedule of long-term payables other related to acquisition of W-CDMA licenses as of December 31, 2014 is as follows:

| <i>(In millions of won)</i> | Amount |
|-----------------------------|---------------|
| Less than 1 year | 190,134 |
| 1~3 years | 238,552 |
| 3~5 years | 235,669 |
| More than 5 years | 235,668 |
| | 900,023 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

15. Provisions

Change in provisions for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | For the year ended December 31, 2014 | | | | As of December 31, 2014 | |
|-----------------------------------|--------------------------------------|----------|-------------|----------------|-------------------------|-------------|
| | Beginning balance | Increase | Utilization | Ending balance | Current | Non-current |
| Provision for handset Subsidy(*1) | 53,923 | 41,802 | (68,926) | 26,799 | 14,844 | 11,955 |
| Provision for restoration(*2) | 32,173 | 19,699 | (539) | 51,333 | 35,612 | 15,721 |
| | 86,096 | 61,501 | (69,465) | 78,132 | 50,456 | 27,676 |

| <i>(In millions of won)</i> | For the year ended December 31, 2013 | | | | | As of December 31, 2013 | |
|-----------------------------------|--------------------------------------|----------|-------------|----------|----------------|-------------------------|-------------|
| | Beginning balance | Increase | Utilization | Reversal | Ending balance | Current | Non-current |
| Provision for handset subsidy(*1) | 353,383 | 9,416 | (308,876) | | 53,923 | 53,334 | 589 |
| Provision for restoration(*2) | 32,791 | 3,761 | (406) | (3,973) | 32,173 | 13,225 | 18,948 |
| | 386,174 | 13,177 | (309,282) | (3,973) | 86,096 | 66,559 | 19,537 |

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

(*2) In the course of the Company's activities, base station and other assets are utilized on leased premises which are expected to have costs associated with restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements. The Company records these restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

- (2) The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

| | Key assumptions |
|-------------------------------|--|
| Provision for handset subsidy | estimation based on historical service retention period data |
| Provision for restoration | estimation based on inflation assuming demolition of the relevant assets after six years |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

16. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | 195,130 | 154,460 |
| Fair value of plan assets | (179,575) | (131,574) |
| | 15,555 | 22,886 |

(2) Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Discount rate for defined benefit obligations | 2.91% | 3.96% |
| Expected rate of salary increase | 3.80% | 4.32% |

Discount rate for defined benefit obligations is determined based on the Company's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligations. Expected rate of salary increase is determined based on the Company's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | For the year ended December 31 | |
|-----------------------------|---------------------------------------|-------------|
| | 2014 | 2013 |
| Beginning balance | 154,460 | 133,098 |
| Current service cost | 33,457 | 33,920 |
| Interest cost | 6,415 | 4,977 |
| Remeasurement | | |
| - Demographic assumption | | (981) |

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| | | |
|----------------------------------|----------|----------|
| - Financial assumption | 8,231 | (9,099) |
| - Adjustment based on experience | 11,500 | 3,837 |
| Benefit paid | (21,887) | (15,566) |
| Others(*) | 2,954 | 4,274 |
| Ending balance | 195,130 | 154,460 |

(*) Others for the years ended December 31, 2014 and 2013 include transfer to construction in progress and liabilities succeeded in relation to transfer of executives from affiliates.

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16. Defined Benefit Liabilities, Continued

(4) Changes in plan assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Beginning balance | 131,574 | 98,147 |
| Interest income | 5,302 | 3,535 |
| Actuarial gain | 1,514 | 1,578 |
| Contributions to the plan | 48,500 | 34,000 |
| Benefit paid | (7,315) | (5,748) |
| Others | | 62 |
| Ending balance | 179,575 | 131,574 |

The Company expects to make a contribution of 41,725 million to the defined benefit plans during the next financial year.

(5) Expenses recognized in profit and loss (included in labor cost in the accompanying statements of income) and capitalized into construction-in-progress for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Current service cost | 33,457 | 33,920 |
| Net Interest cost | 1,113 | 1,442 |
| | 34,570 | 35,362 |

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

(6) Details of plan assets as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|-----------------------------|--------------------------|--------------------------|
|-----------------------------|--------------------------|--------------------------|

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| | | |
|--|---------|---------|
| Equity instruments | 951 | 405 |
| Debt instruments | 52,614 | 33,320 |
| Short-term financial instruments, etc. | 126,010 | 97,849 |
| | 179,575 | 131,574 |

Actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to 6,816 million and 5,113 million, respectively.

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16. Defined Benefit Liabilities, Continued

- (7) As of December 31, 2014, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

| <i>(In millions of won)</i> | Increase | Decrease |
|--|-----------------|-----------------|
| Discount rate (if changed by 0.5%) | (7,253) | 7,786 |
| Expected salary increase rate (if changed by 0.5%) | 7,857 | (7,383) |

The sensitivity analysis does not consider dispersion of all cash flows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

Weighted average durations of defined benefit obligations as of December 31, 2014 and 2013 are 8.42 years and 8.49 years, respectively.

17. Derivative Instruments

- (1) Currency swap contracts under cash flow hedge accounting as of December 31, 2014 are as follows:

(In thousands of foreign currencies)

Borrowing

| date | Hedged item | Hedged risk | Contract type | Financial institution | Duration of contract |
|---------------|---|-----------------------|----------------------|-------------------------------------|-------------------------------|
| Jul. 20, 2007 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | Foreign currency risk | Currency swap | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | Foreign currency risk | Currency swap | Citibank and five other banks | Jun. 12, 2012 ~ Jun.12, 2017 |
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | Foreign currency risk | Currency swap | Barclays and nine other banks | Nov. 1, 2012~ May. 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | Foreign currency risk | Currency swap | BNP Paribas and three other banks | Jan. 17, 2013 ~ Nov. 17, 2017 |

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| | | | | | |
|---------------|--|--|-----------------------------|---------------|---------------------------------|
| Mar. 7, 2013 | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | Foreign currency risk and the interest rate risk | Currency interest rate swap | DBS Bank | Mar. 7, 2013 ~ Mar. 7, 2020 |
| Dec. 16, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of USD 86,338) | Foreign currency risk | Currency swap | Deutsche bank | Dec.16, 2013 ~ Apr. 29, 2022 |

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17. Derivative Instruments, Continued

- (2) As of December 31, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

| <i>(In millions of won and thousands of foreign currencies)</i> | Accumulated gain (loss) on valuation of derivatives | Fair value Cash flow hedge | | | Held for trading purpose | Total |
|---|--|---------------------------------------|--|------------------------|---|--------------|
| | | Tax effect | Accumulated foreign currency translations (gain) loss | Others (*) | | |
| Hedged item | | | | | | |
| Non-current assets: | | | | | | |
| Structured bond (face value of KRW 100,000) | | | | | 8,713 | 8,713 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | (40,360) | (12,886) | (17,545) | 129,806 | | 59,015 |
| Total assets | | | | | | 67,728 |
| Non-current liabilities: | | | | | | |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | (8,725) | (2,786) | (29,993) | | | (41,504) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | (22,903) | (7,312) | 6,058 | | | (24,157) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | 2,588 | 826 | (65,496) | | | (62,082) |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | (4,369) | (1,395) | 4,668 | | | (1,096) |
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 86,388) | (4,439) | (1,417) | 3,806 | | | (2,050) |

Total liabilities

(130,889)

(*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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18. Share Capital and Capital Surplus and Other Capital Adjustments

The Company's outstanding share capital consists entirely of common stock with a par value of 500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won, except for share data)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares(*) | 80,745,711 | 80,745,711 |
| Share capital | | |
| Common stock | 44,639 | 44,639 |
| Capital surplus and other capital adjustments: | | |
| Paid-in surplus | 2,915,887 | 2,915,887 |
| Treasury stock (Note 19) | (2,139,683) | (2,139,683) |
| Loss on disposal of treasury stock | (18,087) | (18,087) |
| Hybrid bond (Note 20) | 398,518 | 398,518 |
| Others | (722,741) | (722,741) |
| | 433,894 | 433,894 |

(*) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for the year ended December 31, 2014 and 2013.

Changes in number of shares outstanding for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In shares)</i> | 2014 | | | 2013 | | |
|----------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|
| | Issued shares | Treasury stock | Outstanding shares | Issued shares | Treasury stock | Outstanding shares |
| Beginning issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 11,050,712 | 69,694,999 |
| Disposal of treasury stock | | | | | (1,241,337) | 1,241,337 |

| | | | | | | |
|----------------------|------------|-----------|------------|------------|-----------|------------|
| Ending issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 9,809,375 | 70,936,336 |
|----------------------|------------|-----------|------------|------------|-----------|------------|

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19. Treasury Stock

The Company acquired treasury stock to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed. Treasury stock as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won, shares)</i> | December 31, 2014 | December 31, 2013 |
|-------------------------------------|--------------------------|--------------------------|
| Number of shares | 9,809,375 | 9,809,375 |
| Amount | 2,139,683 | 2,139,683 |

20. Hybrid Bonds

Hybrid bonds classified as equity as of December 31, 2014 is as follows:

| <i>(In millions of won)</i> | Type | Issuance date | Maturity | Annual interest rate (%) | Amount |
|-----------------------------|---|----------------------|------------------|---------------------------------|----------------|
| Private hybrid bonds | Blank coupon unguaranteed subordinated bond | June 7, 2013 | June 7, 2073(*1) | 4.21(*2) | 400,000 |
| Issuance costs | | | | | (1,482) |
| | | | | | 398,518 |

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

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

(*2) Annual interest rate is adjusted after five years from the issuance date.

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21. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Appropriated: | | |
| Legal reserve | 22,320 | 22,320 |
| Reserve for research & manpower development | 151,534 | 155,767 |
| Reserve for business expansion | 9,476,138 | 9,376,138 |
| Reserve for technology development | 2,416,300 | 2,271,300 |
| | 12,066,292 | 11,825,525 |
| Unappropriated | 930,498 | 840,174 |
| | 12,996,790 | 12,665,699 |

(2) Legal reserve

The Korean Commercial Act requires the Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

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22. Statements of Appropriation of Retained Earnings

Details of appropriations of retained earnings for the years ended December 31, 2014 and 2013 are as follows:

Date of appropriation for 2014: March 20, 2015

Date of appropriation for 2013: March 21, 2014

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Unappropriated retained earnings: | | |
| Unappropriated retained earnings | 3,542 | 3,018 |
| Remeasurement of defined benefit liabilities | (13,808) | 5,927 |
| Interim dividends - 1,000 per share, 200% on par value | (70,937) | (70,508) |
| Interest on hybrid bond | (16,840) | (8,420) |
| Profit | 1,028,541 | 910,157 |
| | 930,498 | 840,174 |
| Transfer from voluntary reserves: | | |
| Reserve for research and manpower development | 64,233 | 64,233 |
| Appropriation of retained earnings: | | |
| Reserve for research and manpower development | | 60,000 |
| Reserve for business expansion | 195,000 | 100,000 |
| Reserve for technology development | 200,000 | 145,000 |
| Cash dividends 8,400 per share, 1,680% on par value | 595,865 | 595,865 |
| | 990,865 | 900,865 |
| Unappropriated retained earnings to be carried over to subsequent year | 3,866 | 3,542 |

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23. Reserves

(1) Details of reserves, net of taxes, as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|--|--------------------------|--------------------------|
| Unrealized fair value of available-for-sale financial assets | 145,106 | 211,209 |
| Unrealized fair value of derivatives | (78,208) | (40,033) |
| | 66,898 | 171,176 |

(2) Changes in reserves for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | Total |
|------------------------------|---|---|--------------|
| | Net change in unrealized fair value of available-for-sale financial assets | Net change in unrealized fair value of derivatives | |
| Balance at January 1, 2014 | 211,209 | (40,033) | 171,176 |
| Changes | (87,207) | (50,363) | (137,570) |
| Tax effect | 21,104 | 12,188 | 33,292 |
| Balance at December 31, 2014 | 145,106 | (78,208) | 66,898 |

| <i>(In millions of won)</i> | 2013 | | Total |
|-----------------------------|---|---|--------------|
| | Net change in unrealized fair value of available-for-sale financial assets | Net change in unrealized fair value of derivatives | |

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| | | | |
|------------------------------|---------|----------|---------|
| Balance at January 1, 2013 | 206,414 | (51,826) | 154,588 |
| Changes | 6,326 | 15,058 | 21,384 |
| Tax effect | (1,531) | (3,265) | (4,796) |
| Balance at December 31, 2013 | 211,209 | (40,033) | 171,176 |

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For the years ended December 31, 2014 and 2013

23. Reserves, Continued

- (3) Details of change in unrealized fair value of available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | |
|---|---------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2014 | 278,640 | (67,431) | 211,209 |
| Amount recognized as other comprehensive income during the year | (77,367) | 18,723 | (58,644) |
| Amount reclassified to profit or loss | (9,840) | 2,381 | (7,459) |
| Balance at December 31, 2014 | 191,433 | (46,327) | 145,106 |
| | | | |
| <i>(In millions of won)</i> | 2013 | | |
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2013 | 272,314 | (65,900) | 206,414 |
| Amount recognized as other comprehensive income during the year | 6,326 | (1,531) | 4,795 |
| Balance at December 31, 2013 | 278,640 | (67,431) | 211,209 |

- (4) Details of change in unrealized fair value of derivatives for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | | |
|---|---------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2014 | (52,814) | 12,781 | (40,033) |
| Amount recognized as other comprehensive income during the year | (42,608) | 10,311 | (32,297) |
| Amount reclassified to profit or loss | (7,755) | 1,877 | (5,878) |
| Balance at December 31, 2014 | (103,177) | 24,969 | (78,208) |

| <i>(In millions of won)</i> | Before taxes | 2013 Income tax effect | After taxes |
|--|-------------------------|---------------------------------------|------------------------|
| Balance at January 1, 2013 | (67,871) | 16,045 | (51,826) |
| Amount recognized as other comprehensive income during the year | 12,404 | (3,002) | 9,402 |
| Amount reclassified to profit or loss | 2,654 | (263) | 2,391 |
| Balance at December 31, 2013 | (52,813) | 12,780 | (40,033) |

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For the years ended December 31, 2014 and 2013

24. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Other Operating Expenses: | | |
| Communication expenses | 42,055 | 49,789 |
| Utilities | 182,790 | 168,073 |
| Taxes and dues | 21,500 | 19,184 |
| Repair | 202,824 | 191,489 |
| Research and development | 240,562 | 231,767 |
| Training | 31,768 | 27,847 |
| Bad debt for accounts receivables trade | 27,313 | 32,051 |
| Other | 60,989 | 48,743 |
| | 809,801 | 768,943 |

25. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Other Non-operating Income: | | |
| Gain on disposal of property and equipment and intangible assets | 3,676 | 1,869 |
| Others(*1) | 33,746 | 45,749 |
| | 37,422 | 47,618 |
| Other Non-operating Expenses: | | |
| Loss on disposal of property and equipment and intangible assets | 17,493 | 233,611 |
| Impairment loss on property and equipment, and intangible assets | 18,490 | |
| Donations | 67,130 | 59,820 |
| Bad debt for accounts receivable other | 15,873 | 20,784 |
| Others(*2) | 65,191 | 103,037 |
| | 184,177 | 417,252 |

(*1) Others for the year ended December 31, 2014 primarily consists of VAT refund.

(*2) Others for the year ended December 31, 2014 and 2013 primarily consists of penalties.

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For the years ended December 31, 2014 and 2013

26. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Finance Income: | | |
| Interest income | 25,015 | 32,265 |
| Dividends | 13,048 | 20,640 |
| Gain on foreign currency transactions | 13,505 | 9,260 |
| Gain on foreign currency translations | 1,373 | 699 |
| Gain relating to financial assets at fair value through profit or loss | 2,817 | 5,177 |
| Gain on disposal of long-term investment securities | 9,807 | 5,439 |
| Gain on valuation of derivatives | 8,713 | |
| Gain on settlement of derivatives | 7,998 | 7,716 |
| | 82,276 | 81,196 |

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Finance Costs: | | |
| Interest expense | 265,195 | 274,190 |
| Loss on foreign currency transactions | 15,526 | 13,607 |
| Loss on foreign currency translations | 167 | 662 |
| Loss on disposal of long-term investment securities | 57 | 73 |
| Loss on settlement of derivatives | 672 | |
| Loss relating to financial assets at fair value through profit or loss | 1,352 | |
| Loss relating to financial liabilities at fair value through profit or loss(*) | 10,369 | 134,232 |
| | 293,338 | 422,764 |

(*) Loss relating to financial liability at fair value through profit or loss for the year ended December 31, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Company and increase in foreign exchange rate, and 2) loss on repayment of

debentures upon the claim for exchange.

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For the years ended December 31, 2014 and 2013

26. Finance Income and Costs, Continued

- (2) Details of interest income included in finance income for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Interest income on cash equivalents and deposits | 12,428 | 18,677 |
| Interest income on installment receivables and others | 12,587 | 13,588 |
| | 25,015 | 32,265 |

- (3) Details of interest expense included in finance costs for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Interest expense on bank overdrafts and borrowings | 20,030 | 22,786 |
| Interest expense on debentures | 198,317 | 211,124 |
| Others | 46,848 | 40,280 |
| | 265,195 | 274,190 |

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26. Finance Income and Costs, Continued

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2014 and 2013 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in Note 6.

- (i) Finance income and costs

| <i>(In millions of won)</i> | 2014 | | 2013 | |
|--|----------------|----------------|----------------|----------------|
| | Finance income | Finance costs | Finance income | Finance costs |
| Financial Assets: | | | | |
| Financial asset at fair value through profit or loss | 11,530 | 1,352 | 5,177 | |
| Available-for-sale financial assets | 23,981 | 57 | 27,061 | 73 |
| Loans and receivables | 35,377 | 15,682 | 40,502 | 14,219 |
| Derivative designated as hedging instrument | 7,998 | 672 | 7,716 | |
| Sub-total | 78,886 | 17,763 | 80,456 | 14,292 |
| Financial Liabilities: | | | | |
| Financial liability at fair value through profit or loss | | 10,369 | | 134,232 |
| Financial liability measured as amortised cost | 3,390 | 265,206 | 740 | 274,240 |
| Sub-total | 3,390 | 275,575 | 740 | 408,472 |
| Total | 82,276 | 293,338 | 81,196 | 422,764 |

- (ii) Other comprehensive income (loss)

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|----------|--------|
| Financial Assets: | | |
| Available-for-sale financial assets | (66,103) | 4,795 |
| Derivative designated as hedging instrument | (16,374) | 12,810 |

| | | |
|---|-----------|---------|
| Sub-total | (82,477) | 17,605 |
| Financial Liabilities: | | |
| Derivative designated as hedging instrument | (21,801) | (1,017) |
| Sub-total | (21,801) | (1,017) |
| Total | (104,278) | 16,588 |

- (5) Details of impairment losses for financial assets for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Bad debt for accounts receivable - trade | 27,313 | 32,051 |
| Bad debt for accounts receivable - other | 15,873 | 20,784 |
| | 43,186 | 52,835 |

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27. Income Tax Expense

- (1) Income tax expenses for the years ended December 31, 2014 and 2013 consist of the following:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|----------------|----------------|
| Current tax expense | | |
| Current tax payable | 169,456 | 173,915 |
| Adjustments recognized in the period for current tax of prior periods | (14,223) | (24,665) |
| | 155,233 | 149,250 |
| Deferred tax expense | | |
| Changes in net deferred tax assets | 100,275 | 168,324 |
| Tax directly charged to equity | 37,701 | (6,934) |
| | 137,976 | 161,390 |
| Income tax for continuing operation | 293,209 | 310,640 |

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2014 and 2013 is attributable to the following:

| <i>(In millions of won)</i> | 2014 | 2013 |
|--|----------------|----------------|
| Income taxes at statutory income tax rate | 319,401 | 294,971 |
| Non-taxable income | (33,653) | (34,067) |
| Non-deductible expenses | 60,082 | 65,717 |
| Tax credit and tax reduction | (33,581) | (36,290) |
| Changes in unrealizable deferred taxes | 21,982 | 52,346 |
| Others (income tax refund, etc.) | (41,022) | (32,037) |
| Income tax for continuing operation | 293,209 | 310,640 |

- (3)

Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|---------------|----------------|
| Net change in fair value of available-for-sale financial assets | 21,104 | (1,531) |
| Gain or loss on valuation of derivatives | 12,188 | (3,265) |
| Remeasurement of defined benefit liabilities | 4,409 | (1,893) |
| Loss on disposal of treasury stock | | (245) |
| | 37,701 | (6,934) |

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27. Income Tax Expense, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | Beginning | 2014 Deferred tax expense (benefit) | Directly added to (deducted from) equity | Ending |
|--|------------------|--|---|---------------|
| Deferred tax assets (liabilities) related to temporary differences | | | | |
| Allowance for doubtful accounts | 43,352 | 3,320 | | 46,672 |
| Accrued interest income | (1,375) | (163) | | (1,538) |
| Available-for-sale financial assets | (9,725) | (336) | 21,104 | 11,043 |
| Investments in subsidiaries and associates | 85,298 | (16,246) | | 69,052 |
| Property and equipment (depreciation) | (308,657) | (35,831) | | (344,488) |
| Provisions | 13,049 | (6,564) | | 6,485 |
| Retirement benefit obligation | 7,906 | (2,929) | 4,409 | 9,386 |
| Gain or loss on valuation of derivatives | 12,781 | | 12,188 | 24,969 |
| Gain or loss on foreign currency translation | 19,580 | (253) | | 19,327 |
| Tax free reserve for research and manpower development | (30,064) | 30,064 | | |
| Goodwill relevant to leased line | 31,025 | (26,592) | | 4,433 |
| Unearned revenue (activation fees) | 53,412 | (27,435) | | 25,977 |
| Others | 38,817 | (55,011) | | (16,194) |
| | (44,601) | (137,976) | 37,701 | (144,876) |

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27. Income Tax Expense, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows, Continued:

| <i>(In millions of won)</i> | Beginning | 2013 Deferred tax expense (benefit) | 2013 Directly added to (deducted from) equity | Ending |
|--|------------------|--|--|---------------|
| Deferred tax assets (liabilities) related to temporary differences | | | | |
| Allowance for doubtful accounts | 36,945 | 6,407 | | 43,352 |
| Accrued interest income | (1,004) | (371) | | (1,375) |
| Available-for-sale financial assets | 12,156 | (20,350) | (1,531) | (9,725) |
| Investments in subsidiaries and associates | 81,416 | 3,882 | | 85,298 |
| Property and equipment (depreciation) | (235,440) | (73,217) | | (308,657) |
| Provisions | 85,519 | (72,470) | | 13,049 |
| Retirement benefit obligation | 9,573 | 226 | (1,893) | 7,906 |
| Gain or loss on valuation of derivatives | 16,046 | | (3,265) | 12,781 |
| Gain or loss on foreign currency translation | 19,706 | (126) | | 19,580 |
| Tax free reserve for research and manpower development | (31,089) | 1,025 | | (30,064) |
| Goodwill relevant to leased line | 68,675 | (37,650) | | 31,025 |
| Unearned revenue (activation fees) | 97,110 | (43,698) | | 53,412 |
| Others | (35,890) | 74,952 | (245) | 38,817 |
| | 123,723 | (161,390) | (6,934) | (44,601) |

- (5) Details of temporary differences not recognized as deferred tax assets in the statements of financial position as of December 31, 2014 and 2013 are as follows:

*(In millions of won)***December 31, 2014****December 31, 2013**

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| | | |
|--|---------|---------|
| Allowance for doubtful accounts | 77,405 | 77,405 |
| Investments in subsidiaries and associates | 717,455 | 626,620 |
| Other temporary differences | 51,150 | 51,150 |
| | 846,010 | 755,175 |

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28. Earnings per Share

(1) Basic earnings per share

1) Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

| <i>(In millions of won, shares)</i> | 2014 | 2013 |
|--|-------------|-------------|
| Profit for the year | 1,028,541 | 910,157 |
| Interest on hybrid bond | (16,840) | (8,420) |
| Profit for the year on common shares | 1,011,701 | 901,737 |
| Weighted average number of common shares outstanding | 70,936,336 | 70,247,592 |
| Basic earnings per share (In won) | 14,262 | 12,837 |

2) The weighted average number of common shares outstanding for the years ended December 31, 2014 and 2013 are calculated as follows:

| <i>(In millions of won, shares)</i> | 2014 | 2013 |
|---|-------------|--------------|
| Outstanding common shares at January 1, 2014 | 80,745,711 | 80,745,711 |
| Effect of treasury stock | (9,809,375) | (10,498,119) |
| Weighted average number of common shares outstanding at December 31, 2014 | 70,936,336 | 70,247,592 |

(2) Diluted earnings per share

For the year ended December 31, 2014, there were no potentially dilutive shares. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the year ended December 31, 2013 as effect of exchangeable bond would have been anti-dilutive (diluted shares of 688,744). Therefore, diluted earnings per share for the years ended December 31, 2014 and 2013 are the same as basic earnings per share.

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29. Dividends

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won, except for face value and share data)

| Year | Dividend type | Number of shares outstanding | Face value (In won) | Dividend ratio | Dividends |
|-------------|---------------------------|---|------------------------------------|---------------------------|------------------|
| | Cash dividends (Interim) | 70,936,336 | 500 | 200% | 70,937 |
| 2014 | Cash dividends (Year-end) | 70,936,336 | 500 | 1,680% | 595,865 |
| | | | | | 666,802 |
| | Cash dividends (Interim) | 70,508,482 | 500 | 200% | 70,508 |
| 2013 | Cash dividends (Year-end) | 70,936,336 | 500 | 1,680% | 595,865 |
| | | | | | 666,373 |

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

| Year | Dividends calculated | Profit | Dividends payout ratio |
|-------------|-----------------------------|---------------|-------------------------------|
| 2014 | 666,802 | 1,028,541 | 64.83% |
| 2013 | 666,373 | 910,157 | 73.22% |

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In won)</i> Year | Dividend type | Dividend per share | Closing price at settlement | Dividend yield ratio |
|--------------------------------|----------------------|---------------------------|------------------------------------|-----------------------------|
| 2014 | Cash dividends | 9,400 | 268,000 | 3.51% |
| 2013 | Cash dividends | 9,400 | 230,000 | 4.09% |

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30. Categories of Financial Instruments

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows:

| | December 31, 2014 | | | | |
|-------------------------------------|--|---|----------------------------------|---|--------------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| <i>(In millions of won)</i> | | | | | |
| Cash and cash equivalents | | | 248,311 | | 248,311 |
| Financial instruments | | | 143,069 | | 143,069 |
| Short-term investment securities | | 197,161 | | | 197,161 |
| Long-term investment securities(*1) | 7,817 | 600,980 | | | 608,797 |
| Accounts receivable - trade | | | 1,559,281 | | 1,559,281 |
| Loans and other receivables(*2) | | | 575,597 | | 575,597 |
| Derivative financial assets | 8,713 | | | 59,015 | 67,728 |
| | 16,530 | 798,141 | 2,526,258 | 59,015 | 3,399,944 |

| | December 31, 2013 | | | | |
|-------------------------------------|--|---|----------------------------------|---|--------------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| <i>(In millions of won)</i> | | | | | |
| Cash and cash equivalents | | | 448,459 | | 448,459 |
| Financial instruments | | | 173,569 | | 173,569 |
| Short-term investment securities | | 102,042 | | | 102,042 |
| Long-term investment securities(*1) | 20,532 | 709,171 | | | 729,703 |
| Accounts receivable - trade | | | 1,513,138 | | 1,513,138 |

| | | | | | |
|---------------------------------|--------|---------|-----------|--------|-----------|
| Loans and other receivables(*2) | | | 658,337 | | 658,337 |
| Derivative financial assets | | | | 41,712 | 41,712 |
| | 20,532 | 811,213 | 2,793,503 | 41,712 | 3,666,960 |

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

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30. Categories of Financial Instruments, Continued

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows, Continued:

(*2) Details of loans and other receivables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Short-term loans | 67,989 | 72,198 |
| Accounts receivable other | 305,990 | 388,475 |
| Accrued income | 6,354 | 5,682 |
| Long-term loans | 38,457 | 39,925 |
| Guarantee deposits | 156,807 | 152,057 |
| | 575,597 | 658,337 |

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | | | Total |
|--|---|---|---|--------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Derivative financial liabilities | | | 130,889 | 130,889 |
| Borrowings | | 292,280 | | 292,280 |
| Debentures (*1) | 110,365 | 4,744,502 | | 4,854,867 |
| Accounts payable other and others (*3) | | 2,582,608 | | 2,582,608 |
| | 110,365 | 7,619,390 | 130,889 | 7,860,644 |

December 31, 2013

| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | Total |
|--|---|---|---|--------------|
| <i>(In millions of won)</i> | | | | |
| Derivative financial liabilities | | | 121,380 | 121,380 |
| Borrowings | | 356,688 | | 356,688 |
| Debentures (*2) | 96,147 | 4,529,770 | | 4,625,917 |
| Accounts payable other and others (*3) | | 3,279,604 | | 3,279,604 |
| | 96,147 | 8,166,062 | 121,380 | 8,383,589 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

30. Categories of Financial Instruments, Continued

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows, Continued:

- (*1) Bonds classified as financial liabilities at fair value through profit or loss as of December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.
- (*2) The entire amount of debentures was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.
- (*3) Details of accounts payable and other payables as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | December 31, 2014 | December 31, 2013 |
|---|--------------------------|--------------------------|
| Accounts payable other | 1,086,485 | 1,556,201 |
| Withholdings | 3 | 3 |
| Accrued expenses | 615,488 | 653,742 |
| Current portion of long-term payables - other | 189,389 | 206,800 |
| Long-term payables other | 657,001 | 828,721 |
| Other non-current liabilities | 34,242 | 34,137 |
| | 2,582,608 | 3,279,604 |

31. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of December 31, 2014 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)

| | Assets | | Liabilities | |
|-------|--------------------|-----------------|--------------------|-----------------|
| | Foreign currencies | Won translation | Foreign currencies | Won translation |
| USD | 38,129 | 41,796 | 1,473,929 | 1,620,130 |
| EUR | 5,139 | 6,898 | 2,049 | 2,738 |
| JPY | 28,299 | 260 | | |
| SGD | 79 | 66 | | |
| AUD | | | 298,536 | 268,411 |
| CHF | | | 298,956 | 332,269 |
| Other | 77 | 97 | 636 | 122 |
| | | 49,117 | | 2,223,670 |

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 17)

As of December 31, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|----------------------------|----------------------------|
| USD | 3,651 | (3,651) |
| EUR | 380 | (380) |
| JPY | 26 | (26) |
| Others | 5 | (5) |
| | 4,062 | (4,062) |

(ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2014, available-for-sale equity instruments measured at fair value amounts to 586,675 million.

(iii) Interest rate risk

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

Accordingly, the Company performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

The Company's interest rate risk arises from floating-rate borrowings and payables. As of December 31, 2014, floating-rate debentures amount to 329,760 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (See Note 17). If interest rate only increases (decreases) by 1%, income before income taxes for the year ended December 31, 2014 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Cash and cash equivalents | 248,281 | 448,429 |
| Financial instruments | 143,069 | 173,569 |
| Available-for-sale financial assets | 8,648 | 816 |
| Accounts receivable - trade | 1,559,281 | 1,513,138 |
| Loans and receivables | 575,597 | 658,337 |
| Derivative financial assets | 67,728 | 41,712 |
| Financial assets at fair value through profit or loss | 7,817 | 20,532 |
| | 2,610,421 | 2,856,533 |

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

For the year ended December 31, 2014, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of December 31, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 26.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities.

Contractual maturities of financial liabilities as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|--|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Borrowings(*1) | 292,280 | 310,143 | 215,189 | 55,408 | 39,546 |
| Debentures (*1) | 4,854,867 | 6,016,374 | 363,383 | 2,989,699 | 2,663,292 |
| Accounts payable other and others (*2) | 2,582,608 | 2,636,293 | 1,823,097 | 567,673 | 245,523 |
| | 7,729,755 | 8,962,810 | 2,401,669 | 3,612,780 | 2,948,361 |

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

(*1) Includes estimated interest to be paid and excludes discounts on bonds.

(*2) Excludes discounts on accounts payable-other and others.

As of December 31, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

| <i>(In millions of won)</i> | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|-----------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Assets | 59,015 | 61,243 | 8,324 | 37,215 | 15,704 |
| Liabilities | (130,889) | (137,344) | (15,145) | (121,463) | (736) |

| | | | | |
|----------|----------|---------|----------|--------|
| (71,874) | (76,101) | (6,821) | (84,248) | 14,968 |
|----------|----------|---------|----------|--------|

(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2013.

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

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Liability | 9,170,241 | 9,512,011 |
| Equity | 13,542,221 | 13,315,408 |
| Debt-equity ratio | 67.72% | 71.44% |

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Carrying amount | 2014 | | | Total |
|---|------------------------|----------------|----------------|----------------|--------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 16,530 | | 8,713 | 7,817 | 16,530 |
| Derivative financial assets | 59,015 | | 59,015 | | 59,015 |
| Available-for-sale financial assets | 586,675 | 490,741 | 47,002 | 48,932 | 586,675 |
| | 662,220 | 490,741 | 114,730 | 56,749 | 662,220 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 248,311 | | | | |
| Available-for-sale financial assets(*1,2) | 211,466 | | | | |
| Accounts receivable trade and others(*1) | 2,134,878 | | | | |
| Financial instruments(*1) | 143,069 | | | | |

2,737,724

Financial liabilities that can be measured at fair value

| | | | |
|--|---------|---------|---------|
| Financial liabilities at fair value through profit or loss | 110,365 | 110,365 | 110,365 |
| Derivative financial liabilities | 130,889 | 130,889 | 130,889 |
| | 241,254 | 241,254 | 241,254 |

Financial liabilities that cannot be measured at fair value

| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Borrowings | 292,280 | 300,048 | 300,048 |
| Debentures | 4,744,502 | 5,103,527 | 5,103,527 |
| Accounts payable other and others(*1) | 2,582,608 | | |
| | 7,619,390 | 5,403,575 | 5,403,575 |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

| <i>(In millions of won)</i> | Carrying amount | 2013 | | | Total |
|--|--------------------|---------|---------|---------|---------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 20,532 | | 20,532 | | 20,532 |
| Derivative financial assets | 41,712 | | 41,712 | | 41,712 |
| Available-for-sale financial assets | 715,053 | 574,321 | 46,414 | 94,318 | 715,053 |
| | 777,297 | 574,321 | 108,658 | 94,318 | 777,297 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 448,459 | | | | |
| Available-for-sale financial assets(*1,2) | 96,160 | | | | |
| Accounts receivable trade and others(*1) | 2,171,475 | | | | |
| Financial instruments(*1) | 173,569 | | | | |
| | 2,889,663 | | | | |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 96,147 | 96,147 | | | 96,147 |
| Derivative financial liabilities | 121,380 | | 121,380 | | 121,380 |
| | 217,527 | 96,147 | 121,380 | | 217,527 |
| Financial liabilities that cannot be measured at fair value | | | | | |
| Borrowings | 356,688 | | 369,810 | | 369,810 |

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| | | | |
|---|-----------|-----------|-----------|
| Debentures | 4,529,770 | 4,621,010 | 4,621,010 |
| Accounts payable - other and others(*1) | 3,279,604 | | |
| | 8,166,062 | 4,990,820 | 4,990,820 |

(*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

(*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for Level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(3) Fair value, Continued

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

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

Interest rates used by the Company for the fair value measurement as of December 31, 2014 are as follows:

| | Interest rate |
|---------------------------|----------------------|
| Derivative instruments | 1.90 ~ 2.40% |
| Borrowings and Debentures | 2.55 ~ 2.68% |

- 3) There have been no transfers from Level 2 to Level 1 in 2014 and changes of financial assets classified as Level 3 for the year ended December 31, 2014 are as follows:

| <i>(In millions of won)</i> | Balance at beginning | Acquisition | Gain for the period | Other comprehensive loss | Disposal | Balance at ending |
|---|-----------------------------|--------------------|----------------------------|---------------------------------|-----------------|--------------------------|
| Financial assets at fair value through profit or loss | | 5,000 | 2,817 | | | 7,817 |
| Available-for-sale financial assets | 94,318 | | | (2,430) | (42,956) | 48,932 |

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2014 and 2013 are as follows:

| | Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Net amount |
|--------------------------------------|--|---|---|--|------------|
| | | | | Cash Financial collaterals instruments received | |
| <i>(In millions of won)</i> | | | | | |
| Financial assets: | | | | | |
| Derivatives(*) | 48,057 | | 48,057 | (45,892) | 2,165 |
| Accounts receivable trade and others | 128,794 | (117,568) | 11,226 | | 11,226 |
| | 176,851 | (117,568) | 59,283 | (45,892) | 13,391 |
| Financial liabilities: | | | | | |
| Derivatives(*) | 45,892 | | 45,892 | (45,892) | |
| Accounts payable other and others | 117,568 | (117,568) | | | |
| | 163,460 | (117,568) | 45,892 | (45,892) | |

| | Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Net amount |
|-----------------------------|--|---|---|--|------------|
| | | | | Financial Cash instruments collaterals | |
| <i>(In millions of won)</i> | | | | | |

| | | | | | received | |
|-------------------------------|------------------|---------|-----------|--------|-----------------|--------|
| Financial assets: | | | | | | |
| Derivatives(*) | | 28,870 | | 28,870 | (28,870) | |
| Accounts receivable | trade and others | 138,897 | (127,055) | 11,842 | | 11,842 |
| | | 167,767 | (127,055) | 40,712 | (28,870) | 11,842 |
| Financial liabilities: | | | | | | |
| Derivatives(*) | | 43,536 | | 43,536 | (28,870) | 14,666 |
| Accounts payable | other and others | 127,055 | (127,055) | | | |
| | | 170,591 | (127,055) | 43,536 | (28,870) | 14,666 |

(*) The amount applicable by enforceable master netting agreement according to ISDA (International Swap and Derivatives Association).

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties

(1) List of related parties

| Relationship | Interest rate |
|-----------------------------|--|
| Ultimate Controlling Entity | SK Holding Co., Ltd. |
| Subsidiaries | SK Planet Co., Ltd. and 39 others(*) |
| Joint venture | Dogus Planet, Inc. and 4 others |
| Associates | SK hynix Inc. and 59 others |
| Affiliates | The Ultimate Controlling Entity's investor using the equity method and the Ultimate Controlling Entity's subsidiaries and associates, etc. |

(*) As of December 31, 2014, subsidiaries of the Company are as follows:

| Company | Ownership percentage (%) | Types of business |
|---|---------------------------------|--|
| SK Telink Co., Ltd. | 83.5 | Telecommunication and MVNO service |
| M&Service Co., Ltd. | 100.0 | Data base and internet website service |
| SK Communications Co., Ltd. | 64.6 | Internet website services |
| Stonebridge Cinema Fund | 56.0 | Investment association |
| Commerce Planet Co., Ltd. | 100.0 | Online shopping mall operation agency |
| SK Broadband Co., Ltd. | 50.6 | Telecommunication services |
| K-net Culture and Contents Venture Fund | 59.0 | Investment association |
| Fitech Focus Limited Partnership II | 66.7 | Investment association |
| Open Innovation Fund | 98.9 | Investment association |
| PS&Marketing Corporation | 100.0 | Communications device retail business |
| Service Ace Co., Ltd. | 100.0 | Customer center management service |
| Service Top Co., Ltd. | 100.0 | Customer center management service |
| Network O&S Co., Ltd. | 100.0 | Base station maintenance service |
| BNCP Co., Ltd. | 100.0 | Internet website services |
| Icon Cube Holdings Co., Ltd. | 100.0 | Investment association |
| Icon Cube Co., Ltd. | 100.0 | Internet website services |
| SK Planet Co., Ltd. | 100.0 | Telecommunication service |
| Neosnetworks Co., Ltd. | 66.7 | Guarding of facilities |
| IRIVER LIMITED | 49.0 | Manufacturing of media and sound equipment |

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| | | |
|--|-------|---|
| iriver CS Co., Ltd. | 100.0 | After Service and logistics agency business |
| iriver Enterprise Ltd. | 100.0 | Management of Chinese subsidiary |
| iriver America Inc. | 100.0 | Sales and marketing in North America |
| iriver Inc. | 100.0 | Sales and marketing in North America |
| iriver China Co., Ltd. | | Manufacturing of MP3,4 and domestic sales |
| | 100.0 | in China |
| Dongguan iriver Electronics Co., Ltd. | | Manufacturing of e-book and domestic sales |
| | 100.0 | in China |
| SK Telecom China Holdings Co., Ltd. | 100.0 | Investment association |
| Shenzhen E-eye High Tech Co., Ltd. | 65.5 | Manufacturing |
| SK Global Healthcare Business Group., Ltd. | 100.0 | Investment association |
| SK Planet Japan | 100.0 | Digital contents sourcing service |
| SKT Vietnam PTE. Ltd. | 73.3 | Telecommunication service |
| SK Planet Global PTE. Ltd. | 100.0 | Digital contents sourcing service |
| SKP GLOBAL HOLDINGS PTE. LTD. | 100.0 | Investment association |
| SKT Americas, Inc. | 100.0 | Information gathering and consulting |
| SKP America LLC. | 100.0 | Digital contents sourcing service |
| YTK Investment Ltd. | 100.0 | Investment association |
| Atlas Investment | 100.0 | Investment association |
| Technology Innovation Partners, L.P. | 100.0 | Investment association |
| SK Telecom China Fund I L.P. | 100.0 | Investment association |
| shopkick Management Company, Inc. | 95.2 | Investment association |
| shopkick, Inc. | | Mileage-based online transaction App |
| | 100.0 | Development |

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued

(2) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2014 and 2013 are as follows:

| <i>(In millions of won)</i> | 2014 | 2013 |
|-----------------------------------|--------------|--------------|
| Salaries | 2,600 | 2,263 |
| Provision for retirement benefits | 907 | 1,012 |
| | 3,507 | 3,275 |

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

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For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

| Scope | Company | Operating revenue and others | Operating expense and others | 2014 Acquisition of property and equipment | Loans collection |
|-----------------------------|--|------------------------------------|------------------------------------|---|---------------------|
| Ultimate Controlling Entity | SK Holding Co.,Ltd.(*1) | 491 | 218,169 | | |
| Subsidiaries | SK Broadband Co., Ltd. | 141,640 | 561,418 | 27,564 | |
| | PS&Marketing Corporation | 13,683 | 833,013 | 2,309 | |
| | Network O&S Co., Ltd. | 4,830 | 170,737 | 581 | |
| | SK Planet Co., Ltd. | 60,502 | 524,311 | 16,301 | |
| | SK Telink Co., Ltd. | 52,811 | 36,196 | 227 | |
| | Service Ace Co., Ltd. | 7,252 | 143,706 | | |
| | Service Top Co., Ltd. | 6,617 | 153,307 | | |
| | Others | 12,851 | 33,220 | 1,238 | |
| | | 300,186 | 2,455,908 | 48,220 | |
| Associates | F&U Credit information Co., Ltd. | 1,808 | 42,078 | | |
| | HappyNarae Co., Ltd. | 14 | 3,614 | 9,646 | |
| | SK hynix Inc. | 9,628 | 3,391 | | |
| | SK USA, Inc. | | 2,153 | | |
| | SK Wyverns Baseball Club Co., Ltd. | 18 | 22,122 | | 204 |
| | KEB HanaCard Co., Ltd.(*2) | 25,295 | 3,902 | | |
| | Others | 1,409 | 6,140 | | 45 |
| | | 38,172 | 83,400 | 9,646 | 45 |
| Other | SK Engineering & Construction Co., Ltd. | 2,382 | 39,412 | | |