SK TELECOM CO LTD
Form 20-F
April 30, 2015
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As filed with the Securities and Exchange Commission on April 30, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-14418

SK Telecom Co., Ltd.

(Exact name of Registrant as specified in its charter)

SK Telecom Co., Ltd.

(Translation of Registrant s name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

SK T-Tower

65, Eulji-ro, Jung-gu, Seoul, Korea

(Address of principal executive offices)

Ms. Tae Hee Kim

65, Eulji-ro, Jung-gu, Seoul, Korea

Telephone No.: 82-2-6100-2114

Facsimile No.: 82-2-6100-7830

(Name, telephone, email and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one-ninth of one share of Common Stock	New York Stock Exchange
Common Stock, par value 500 per share	New York Stock Exchange*

* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

70,936,336 shares of common stock, par value 500 per share (not including 9,809,375 shares of common stock held by the company as treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** þ **No** ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes** ¨ **No** þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** þ **No** ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** ¨ **No** ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ **Accelerated filer** ¨ **Non-accelerated filer** ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ **International Financial Reporting Standards as issued by the International Accounting Standards Board** þ **Other** ¨

Indicate by check mark which financial statement item the registrant has elected to follow. **Item 17** ¨ **Item 18** þ

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ¨ **No** þ

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CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS ANNUAL REPORT

All references to Korea contained in this annual report shall mean The Republic of Korea. All references to the Government shall mean the government of The Republic of Korea. All references to 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. All references to U.S. shall mean the United States of America.

All references to MHz contained in this annual report shall mean megahertz, a unit of frequency denoting one million cycles per second. All references to GHz shall mean gigahertz, a unit of frequency denoting one billion cycles per second. All references to Mbps shall mean one million bits of information per second. All references to GB shall mean gigabytes, which is one billion bytes. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

All references to Won, or in this annual report are to the currency of Korea, all references to Dollars or US$ are to the currency of the United States of America, all references to CHF or Franc are to the currency of Switzerland, all references to MYR are to the currency of Malaysia, all references to euro or are to the currency of the European Union and all references to Australian Dollars or AUD are to the currency of the Commonwealth of Australia.

Pursuant to amendments to the Government Organization Act and the Act on the Establishment and Operation of Korea Communications Commission, both effective as of March 23, 2013, the Ministry of Science, ICT and Future Planning (the MSIP) was established. The MSIP is charged with regulating information and telecommunications, which function was formerly performed by the Korea Communications Commission (the KCC) under the previous Government. The KCC, which had taken over the regulatory functions relating to information and telecommunications policies and radio and broadcasting management from the Ministry of Information and Communication (the MIC) in 2008, is currently charged with regulating the public interest aspects of and fairness in broadcasting. In this annual report, we refer to the MIC and the KCC as the relevant governmental authorities in connection with any approval granted or action taken by the MIC or the KCC, as applicable, prior to such amendments and to the MSIP or other relevant governmental authority in connection with any approval granted or to be granted or action taken or to be taken by the MSIP or such other relevant governmental authority subsequent to such amendments.

The consolidated financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB). As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012 included in this annual report.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission (the SEC), which became effective on March 4, 2008, we are not required to provide a reconciliation to generally accepted accounting principles in the United States, or U.S. GAAP.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, as defined in Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act) and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, considering, depends, estimate, expect, intend, plan, planning, planned, project and similar expressions, or that certai results may, might, should or could occur, be taken or be achieved.

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Forward-looking statements in this annual report include, but are not limited to, statements about the following:

- our ability to anticipate and respond to various competitive factors affecting the wireless telecommunications industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors;

- our implementation of high-speed downlink packet access (HSDPA) technology, high-speed uplink packet access (HSUPA) technology, evolved high-speed uplink packet access (HSPA+) technology, wireless broadband Internet (WiBro) technology, long-term evolution (LTE) technology and long-term evolution advanced (LTE-A) technology;

- our plans for capital expenditures in 2015 for a range of projects, including investments to improve our LTE network and launch our LTE-A services, investments to maintain our wide-band code division multiple access (WCDMA) network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to the development of our new businesses such as our business-to-business (B2B) solutions and healthcare businesses, as well as initiatives related to our ongoing businesses in the ordinary course;

- our efforts to make significant investments to build, develop and broaden our businesses, including developing and providing wireless data, multimedia, mobile commerce and Internet services;

- our ability to comply with governmental rules and regulations, including the regulations of the Government related to telecommunications providers, the Mobile Device Distribution Improvement Act (MDDIA), rules related to our status as a market-dominating business entity under the Korean Monopoly Regulation and Fair Trade Act (the Fair Trade Act) and the effectiveness of steps we have taken to comply with such regulations;

- our ability to manage effectively our bandwidth and to implement timely and efficiently new bandwidth-efficient technologies;

- our expectations and estimates related to interconnection fees, tariffs charged by our competitors, regulatory fees, operating costs and expenditures, working capital requirements, principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases, and research and development expenditures and other financial estimates;

- the success of our various joint ventures and investments;

- our ability to successfully manage our acquisition in 2012 of a stake in SK hynix Inc. (known as Hynix Semiconductor Inc. at the time of such acquisition, SK Hynix), a memory-chip maker;

- our ability to successfully manage our investments in various overseas businesses;

- our ability to successfully enter and operate in new business areas, including the platform, B2B solutions and healthcare businesses;

- our ability to successfully attract and retain subscribers; and the growth of the telecommunications industry in Korea and other markets in which we do business and the effect that economic, political or social conditions have on our number of subscribers, call volumes and results of operations.

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business include, but are not limited to, risks related to changes in the regulatory environment, technology changes, potential litigation and governmental actions, changes in the competitive environment, political changes, foreign exchange

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currency risks, foreign ownership limitations, credit risks and other risks and uncertainties that are more fully described under the heading Item 3. Key Information Risk Factors and elsewhere in this annual report. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

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PART I

Item 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Item 1.A. *Directors and Senior Management*
Not applicable.

Item 1.B. *Advisers*
Not applicable.

Item 1.C. *Auditors*
Not applicable.

Item 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*
Not applicable.

Item 3. *KEY INFORMATION*

Item 3.A. *Selected Financial Data*
You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report. The selected consolidated financial data set forth below as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements and related notes thereto, which have been prepared in accordance with IFRS as issued by the IASB.

In addition to preparing consolidated financial statements in accordance with IFRS as issued by the IASB included in this annual report, we also prepare financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) as adopted by the Korean Accounting Standards Board (the KASB), which we are required to file with the Financial Services Commission of Korea (the FSC) and the Korea Exchange Inc. (the Korea Exchange) under the Financial Investment Services and Capital Markets Act (the FSCMA). English translations of such financial statements are furnished to the SEC on Form 6-K. Beginning with our financial statements prepared in accordance with K-IFRS as of and for the year ended December 31, 2012, we are required to adopt certain amendments to K-IFRS No. 1001, Presentation of Financial Statements, as adopted by the KASB in 2012. The amendments require operating income, which is calculated as operating revenue less operating expense, to be separately presented on the consolidated statement of income. Operating expense represents expenses incurred in our main operating activities and includes cost of products that have been resold and selling, general and administrative expenses.

In our consolidated statements of income prepared in accordance with IFRS as issued by the IASB included in this annual report, such changes in presentation were not adopted. As a result, the presentation of operating income in our consolidated statements of income prepared in accordance with IFRS as issued by the IASB included in this annual report differs from the presentation of operating income in the consolidated statements of income prepared in accordance with K-IFRS for the corresponding periods. For additional information, see Item 5.A. Operating Results Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS.

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	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In billions of Won, except per share and number of shares data)				
STATEMENT OF INCOME DATA					
Operating Revenue and Other Income	17,220.3	16,677.0	16,343.3	15,852.8	15,473.4
Revenue	17,163.8	16,602.1	16,141.4	15,803.2	15,392.7
Other income	56.5	74.9	201.9	49.6	80.7
Operating Expense	15,612.4	15,098.6	14,605.6	13,690.1	13,139.3
Operating Income	1,607.8	1,578.4	1,737.6	2,162.7	2,334.1
Profit before Income Tax	2,253.8	1,827.1	1,519.4	2,212.3	2,363.5
Profit from Continuing Operations	1,799.3	1,426.3	1,231.2	1,610.3	1,813.8
Profit (Loss) from Discontinued Operation, net of income taxes		183.2	(115.5)	(28.3)	(36.1)
Profit for the Year	1,799.3	1,609.5	1,115.7	1,582.1	1,766.8
Basic Earnings per Share(1)	25,154	23,211	16,525	22,848	25,598
Diluted Earnings per Share(2)	25,154	23,211	16,141	22,223	24,942
Basic Earnings per Share from Continuing Operations(1)	25,154	20,708	18,015	23,339	24,843
Diluted Earnings per Share from Continuing Operations(2)	25,154	20,708	17,583	22,699	24,208
Dividends Declared per Share (Won)	9,400	9,400	9,400	9,400	9,400
Dividends Declared per Share (US$)(3)	8.6	8.9	8.8	8.1	8.3
Weighted Average Number of Shares	70,936,336	70,247,592	69,694,999	70,591,937	71,942,387

	As of December 31,				
	2014	2013	2012	2011	2010
	(In billions of Won)				
STATEMENT OF FINANCIAL POSITION DATA					
Working Capital (Deficit)(4)	(337.2)	(945.8)	(880.5)	(556.1)	451.8
Property and Equipment, Net	10,567.7	10,196.6	9,712.7	9,031.0	8,153.4
Total Assets	27,941.2	26,576.5	25,595.6	24,366.0	23,132,4
Non-current Liabilities(5)	7,272.7	6,340.7	6,565.9	4,959.7	4,522.2
Share Capital	44.6	44.6	44.6	44.6	44.6
Total Equity	15,248.3	14,166.6	12,854.8	12,732.7	12,408.0

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In billions of Won, except percentage data)				
OTHER FINANCIAL DATA					
Capital Expenditures(6)	3,008.0	2,879.1	3,394.3	2,960.6	2,142.3
R&D Expense(7)	397.8	363.7	346.3	295.9	355.9
Depreciation and Amortization Expense	2,714.7	2,661.6	2,421.1	2,286.6	2,118.4
Net Cash Provided by Operating Activities	3,677.4	3,558.6	3,999.7	6,306.4	4,343.4
Net Cash Used in Investing Activities	(3,683.2)	(2,506.5)	(5,309.6)	(4,239.1)	(2,339.0)
Net Cash Provided by (Used in) Financing Activities	(559.4)	(573.2)	585.3	(1,079.3)	(2,246.1)
Margins (% of total sales):					
Operating Margin(8)	9.3%	9.5%	10.6%	13.6%	15.0%
Net Margin(8)	10.4%	9.7%	6.8%	9.9%	11.3%

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	As of or for the Year Ended December 31,				
	2014	2013	2012	2011	2010
SELECTED OPERATING DATA					
Population of Korea (in millions)(9)	51.3	51.1	50.9	50.7	50.5
Our Wireless Penetration(10)	55.7%	53.5%	52.9%	52.3%	50.9%
Number of Employees(11)	25,689	23,789	22,148	20,955	20,143
Wireless Subscribers(12)	28,613,341	27,352,482	26,961,045	26,552,716	25,705,049
Average Monthly Outgoing Voice Minutes per Subscriber(13)	195	182	179	192	199
Average Monthly Churn Rate(14)	2.0%	2.3%	2.6%	2.7%	2.7%
Cell Sites	50,158	44,764	35,584	21,999	17,483

(1) Basic earnings per share is calculated by dividing profit attributable to owners of SK Telecom by the weighted average number of common shares outstanding during the period. Basic earnings per share from continuing operations is calculated by dividing profit from continuing operations attributable to owners of SK Telecom by the weighted average number of common shares outstanding during the period.

(2) Diluted earnings per share is calculated by dividing profit attributable to owners of SK Telecom adjusted for dilution by the potential dilutive weighted average number of common shares outstanding during the period, taking into account the conversion of outstanding convertible bonds. Diluted earnings per share from continuing operations is calculated by dividing profit from continuing operations attributable to owners of SK Telecom adjusted for dilution by the potential dilutive weighted average number of common shares outstanding during the period, taking into account the conversion of outstanding convertible bonds.

(3) The Dollar amounts shown for the years ended December 31, 2014. 2013, 2012, 2011 and 2010 were translated at the rate of Won 1,090.9 to US$1.00, Won 1,055.3 to US$1.00, Won 1,063.2 to US$1.00, Won 1,158.5 to US$1.00 and Won 1,130.6 to US$1.00, respectively, the noon buying rates in effect at the end of the respective years.

(4) Working capital means current assets minus current liabilities.

(5) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rates prevailing at the end of each reporting period. See note 4(19) of the notes to our consolidated financial statements.

(6) Consists of cash outflows for the acquisition of property and equipment.

(7) Consists of research and development costs that are expensed and costs that are amortized during the respective period as well as donations to Korean research institutions and educational organizations in 2012, 2011 and 2010 of Won 4.0 billion, Won 20.0 billion and Won 81.6 billion, respectively.

(8) Operating revenue and other income and operating income used in the calculation of these ratios exclude the operating revenue and other income and operating income from discontinued operations.

(9) Population numbers reflect the number of registered residents as published by the Ministry of Government Administration and Home Affairs of Korea.

(10) Wireless penetration is determined by dividing our subscribers by total estimated population, as of the end of the period.

(11) Includes regular employees and temporary employees. See Item 6.D. Employees.

(12) Wireless subscribers include those subscribers who are temporarily deactivated, including (i) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (ii) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history. The number of subscribers as of December 31, 2014, 2013, 2012 and 2011 include 2,141,172 subscribers, 1,066,848 subscribers, 406,018 subscribers and 55,449 subscribers, respectively, of mobile virtual network operators (MVNO) that lease our wireless networks.

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(13) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of SK Telecom subscribers for each month in the period, calculated as the average of the number of SK Telecom subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.

(14) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period, then dividing that number by the number of months in the period. Churn includes subscribers who upgrade to a next generation service, such as LTE, by terminating their service and opening a new subscriber account.

Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate for translations of Won amounts into Dollars. We make no representation that the Won or Dollar amounts we refer to in this annual report could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

Year Ended December 31,	At End of Period	Average Rate(1)	High	Low
	(Won per US$1.00)			
2010	1,130.6	1,155.7	1,253.2	1,104.0
2011	1,158.5	1,106.9	1,197.5	1,049.2
2012	1,063.2	1,126.2	1,185.0	1,063.2
2013	1,055.3	1,094.7	1,161.3	1,050.1
2014	1,090.9	1,052.3	1,117.7	1,008.9

	Past Six Months	
	High	Low
	(Won per US$1.00)	
October 2014	1,074.4	1,043.9
November 2014	1,114.7	1,077.0
December 2014	1,117.7	1,080.8
January 2015	1,109.1	1,075.3
February 2015	1,112.8	1,086.8
March 2015	1,135.7	1,095.7
April 2015 (through April 24)	1,100.4	1,075.9

Source: Federal Reserve Bank of New York.

(1) The average rates for the annual periods were calculated based on daily noon buying rates for cable transfers in New York City certified for customs purposes by the Federal Reserve Bank of New York.

On April 24, 2015, the noon buying rate was Won 1,075.9 to US$1.00.

Item 3.B. ***Capitalization and Indebtedness***

Not applicable.

Item 3.C. ***Reasons for the Offer and Use of Proceeds***

Not applicable.

Item 3.D. *Risk Factors*
Risks Relating to Our Business

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

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

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data transmission services that compete directly with our business. The collective market share of these other providers amounts to approximately 50.0%, in terms of numbers of wireless subscribers, as of December 31, 2014. Since 2000, there has also been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors, including the merger of KT Freetel Co., Ltd. (KTF), one of our principal wireless competitors before the merger, into KT Corporation (KT), Korea s principal fixed-line operator, in June 2009 and the merger in January 2010 of LG DACOM Corporation and LG Powercomm Co., Ltd. into LG Telecom Co., Ltd. (LG Telecom), which subsequently changed its name to LG Uplus Corp. (LG U+). Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. In addition, our broadband Internet access service provided through SK Broadband Co., Ltd. (SK Broadband) (formerly, Hanarotelecom Incorporated) competes with other providers of Internet access services, including KT, LG U+ and cable companies, and our fixed-line telephone service provided through SK Broadband competes with KT, as well as providers of voice over Internet protocol (VoIP) services. Future business combinations and alliances in the telecommunications industry may also create significant new competitors or enhance the abilities of our current competitors to offer more competitive services and could harm our business and results of operations.

Continued competition from the other wireless and fixed-line service providers has also resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In 2014, the churn rate in our wireless telecommunications business ranged from 1.7% to 2.3%, with an average churn rate of 2.0%, which was a decrease from 2.3% in 2013. Intensification of competition in the future may cause our churn rates to increase. The increased competition may cause us to increase our marketing expenses as a percentage of sales to attract and retain subscribers.

In 2007, the KCC introduced certain regulations to allow telecommunication service providers to bundle their services as well as allow our competitors to employ services provided by us so that they can offer similar discounted package services. Competition intensified as licensed transmission service providers were permitted to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. Moreover, beginning in September 2010, we were required to lease our networks to any MVNO at such MVNO s request, at a rate mutually agreed upon that complies with the standards set by the KCC, which remain effective. To date, ten MVNOs have commenced providing wireless telecommunications services using the networks leased from us. Furthermore, CJ HelloVision Co., Ltd. commenced providing wireless voice and data transmission services as an MVNO using the networks leased from KT in January 2012. In addition, other companies may enter the telecommunications service market by applying for the required licenses from the MSIP. For example, between 2010 and 2014, Korea Mobile Internet and Internet Space Time Co., Ltd. applied for such licenses multiple times but all of their applications were either rejected or withdrawn. We believe the introduction of bundled services and the entrance of MVNOs or another wireless telecommunications service provider into the wireless telecommunications market may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

Increasingly, our wireless and fixed-line voice and text message services also face competition from companies that provide voice and text message services over the fixed-line or mobile Internet such as Skype, Kakao

Talk and Line, some without charging a fee for such services. This trend could negatively impact customer demand for our voice and text message services and may have a material adverse effect on our results of operations, financial position and cash flows.

We expect competition to intensify as a result of continued consolidation of our competitors, regulatory changes and the rapid development of new technologies, products and services. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors.

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

The telecommunications industry has been characterized by continual improvement and advances in technology, and this trend is expected to continue. We and our competitors have continually implemented technology upgrades from our basic code division multiple access (CDMA) network to WCDMA, which is the third generation technology implemented by us, and to LTE technology, which is generally referred to as a fourth generation technology. We commenced commercial LTE services in July 2011 at the same time with LG U+, while KT commenced its commercial LTE services in January 2012. In June 2013, we commenced providing commercial LTE-A services using carrier aggregation technology which combines spectrum frequencies to improve data transmission speeds and since then, we have continued to deploy improved LTE-A technology to increase the maximum data transmission speed of our services. KT and LG U+ have also launched similar LTE-A services around the same time as us. The more successful operation of an LTE network or development of improved LTE technology by a competitor, including better market acceptance of a competitor s LTE services, could materially and adversely affect our existing wireless telecommunications businesses as well as the returns on future investments we may make in our LTE network or our other businesses.

For a more detailed description of our backbone networks, see Item 4.B. Business Overview Digital Wireless Network.

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

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

We have made, and intend to continue to make, capital investments to develop, launch and enhance our LTE service, including launching LTE-A services. In 2014, 2013 and 2012, we spent Won 1,357.2 billion, Won 1,439.4 billion and Won 1,767.1 billion, respectively, in capital expenditures to build and enhance our LTE network. We plan to make further capital investments related to our LTE and LTE-A services in the future. Our LTE-related investment plans are subject to change, and will depend, in part, on market demand for LTE and LTE-A services, the competitive landscape for provision of such services and the development of competing technologies. There may not be sufficient demand for our LTE or LTE-A services, as a result of competition or otherwise, to permit us to recoup or profit from our LTE-related capital investments.

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

We seek growth through investments in new businesses. While we believe that entering into new businesses enables us to diversify our business portfolio, we may be exposed to additional risks. For example, in February 2012, we acquired a 21.1% equity stake in SK Hynix, one of the world s largest memory-chip makers by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder. Since the memory semiconductor industry in which SK Hynix operates is subject to cyclical fluctuations, our financial condition and results of operations may be adversely affected by a downturn in the memory semiconductor industry.

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From time to time, the memory semiconductor industry has experienced significant and sometimes prolonged downturns, which often occur in connection with a deterioration of global economic conditions, and is subject to intense competition. For example, SK Hynix and its subsidiaries, on a consolidated basis, incurred net losses of Won 158.8 billion and Won 56.0 billion in 2012 and 2011, respectively, primarily due to increased supply and weak demand for semiconductor products. Accordingly, SK Hynix s operating results would be adversely affected if it fails to compete successfully or decrease manufacturing costs at an adequate level. Since our share of any net losses incurred by SK Hynix would be reflected in our income statement as share of losses related to investments in associates, any significant loss of SK Hynix could have a material adverse effect on our results of operations.

We also continue to seek other opportunities to expand our business abroad, as such opportunities present themselves. These global businesses may require further investment from us. For a more detailed description of our investments in our global business, see Item 4.B. Business Overview Global Business.

We believe that we must continue to make significant investments to build, develop and broaden our existing businesses. Entering into new businesses and regions in which we have limited experience may require us to make substantial investments, and despite such investments, we may still be unsuccessful in these efforts to expand and diversify. We might not be able to recoup or profit from our investments in new businesses and regions. For example, in November 2010, we invested approximately US$60 million in LightSquared Inc. (LightSquared), which planned to build a wholesale wireless broadband network in the United States. However, LightSquared is currently in bankruptcy proceedings in the United States pursuant to Chapter 11 of the U.S. Bankruptcy Code. In addition, when we enter into these businesses and regions with partners through joint ventures or other strategic alliances, we and those partners may have disagreements with respect to strategic directions or other aspects of business, or may otherwise be unable to coordinate or cooperate with each other, any of which could materially and adversely affect our operations in such businesses and regions.

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

We continue to seek opportunities to develop new businesses that we believe are complementary to our existing product and service portfolio and expand our global business through selective acquisitions. In 2014, we acquired a 66.7% interest in Neosnetworks Co., Ltd. (Neosnetworks), a provider of residential and small business electronic security and other related alarm monitoring services, for an aggregate purchase price of approximately Won 24.0 billion and a 49.0% equity stake in Iriver Ltd. (Iriver), a manufacturer of digital audio players and other portable media devices, for an aggregate purchase price of approximately Won 54.5 billion. In 2014, SK Planet acquired (through its 95.2%-owned subsidiary) 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. For a more detailed description of our recent investments in new businesses, see Item 5.B. Liquidity and Capital Resources Capital Requirements Investments in New Businesses and Global Expansion and Other Needs.

While we are hoping to benefit from a range of synergies from the acquisitions as well as develop new growth engines for our business, we may not be able to integrate our new businesses and may fail to realize the expected benefits in the near term, or at all.

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

According to data published by the MSIP and the historical population data published by the Ministry of Government Administration and Home Affairs, the penetration rate for the Korean wireless telecommunications industry as of December 31, 2014 was approximately 111.5%, which is relatively high compared to many industrialized countries. Therefore, the penetration rate for wireless telecommunications service in Korea will not grow significantly. As a result of the already high penetration rate in Korea for wireless telecommunications services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in the penetration rate without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

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

One of the principal limitations on a wireless network s subscriber capacity is the amount of spectrum available for use by the network. We currently use 10 MHz of bandwidth in the 800 MHz spectrum for our CDMA services, 40 MHz of bandwidth in the 2.1 GHz spectrum for our WCDMA services, 20 MHz of bandwidth in the 2.1 GHz spectrum, 20 MHz of bandwidth in the 800 MHz spectrum and 35 MHz of bandwidth in the 1.8 GHz spectrum for our LTE services, as well as 27 MHz of spectrum in the 2.3 GHz band for our WiBro services.

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

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

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers. In particular, our focus on leading the market in introducing new services has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies.

We also depend on the services of experienced key senior management, and if we lose their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all.

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

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

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

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

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

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 3,008.0 billion for capital expenditures in 2014. We expect to spend less for capital expenditures in 2015 compared to 2014 for a range of projects, including investments to improve our LTE network and launch our LTE-A services, investments to maintain our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to the development of our new businesses such as our B2B solutions and healthcare businesses, as well as initiatives related to our ongoing businesses in the ordinary course.

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

As of December 31, 2014, we had approximately Won 1,755.5 billion in contractual payment obligations due in 2015, almost all of which involve repayment of debt obligations. See Item 5.B. Liquidity and Capital Resources Contractual Obligations and Commitments.

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

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

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

We cannot assure you that we will be able to continue to obtain the necessary equipment from one or more of our suppliers. Any discontinuation or interruption in the availability of equipment from our suppliers for any reason

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could have an adverse effect on our results of operations. Inability to lease adequate lines at commercially reasonable rates may impact the quality of the services we offer and may also damage our reputation and our business.

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

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

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

Malicious and abusive Internet practices could impair our services.

Our wireless and fixed-line subscribers increasingly utilize our network to access the Internet and, as a consequence, we or they may become victim to common malicious and abusive Internet activities, such as unsolicited mass advertising (i.e., spam), hacking of personal information and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume to call centers and damage to our or our customers equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to us to service our customers and protect our network. For example, in July 2011, there was a leak of personal information of subscribers of the NATE and Cyworld websites operated by SK Communications Co., Ltd. (SK Communications), our consolidated subsidiary. Various lawsuits have been filed against SK Communications alleging that the leak was caused by its poor management of subscribers personal information. With respect to three of the lawsuits for which final judgments have been rendered, the relevant courts have rendered judgments in favor of SK Communications. As of March 31, 2015, nineteen of the lawsuits, seeking damages of approximately Won 1.2 billion in aggregate, were pending at various district courts, various high courts and the Supreme Court of Korea. Any significant loss of our subscribers or revenue due to incidents of malicious and abusive Internet practices or significant increase in costs of serving those subscribers could adversely affect our business, financial condition and results of operations.

Labor disputes may disrupt our operations.

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

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

We may be exposed to potential claims for unpaid wages and become subject to additional labor costs arising from the Supreme Court of Korea s interpretation of ordinary wages.

Under the Labor Standards Act, an employee s ordinary wage is a key legal construct used to calculate many statutory benefits and entitlements in Korea. Increasing or decreasing the amount of compensation included in employees ordinary wages has the effect of increasing or decreasing the amounts of various statutory entitlements that are calculated based on ordinary wage, such as overtime premium pay. Under guidelines previously issued by the Ministry of Employment and Labor (formerly the Ministry of Labor), an employee s ordinary wage included base salary and certain fixed monthly allowances. Prior to the Supreme Court of Korea s decision described below, we and other companies in Korea had, in reliance on these guidelines, excluded from the scope of ordinary wages, fixed bonuses that are paid other than on a monthly basis, namely on a bi-monthly, quarterly or biannual basis.

On December 18, 2013, the Supreme Court of Korea ruled that regular bonuses (including those that are paid other than on a monthly basis) shall be deemed ordinary wages if these bonuses are paid regularly and uniformly on a fixed basis notwithstanding differential amounts based on seniority. Under this decision, any collective bargaining agreement or labor-management agreement which attempts to exclude such regular bonuses from employees ordinary wages will be deemed void for violation of the mandatory provisions of Korean law. However, the Supreme Court of Korea further ruled that employees claims for underpayments during the past three years (within the statute of limitations) due to failure to include a regular bonus in employees ordinary wages, may be denied based on principles of good faith if (i) there has been an agreement between the employer and employees that the regular bonus shall be excluded from employees ordinary wages in determining the total amount of wages, (ii) such claims, if successful, would result in further wage payments that far exceed the total amount of wages agreed between the employer and employees, and (iii) such payments would cause an unexpected financial burden to the employer leading to material managerial difficulty or a threat to the employer s existence. These principles of good faith, however, do not apply to an agreement on wages entered into between the employer and employees after December 18, 2013, the date of the above decision of the Supreme Court of Korea.

We anticipate that this decision will result in additional labor costs for us in the form of additional payments required under the expanded scope of ordinary wages, both those incurred during the past three years and those to be incurred in the future. Any such additional payments may have an adverse effect on our financial condition and results of operation.

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

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

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

In furtherance of the above policy objectives, the Government also enacted the MDDIA, which became effective on October 1, 2014. The MDDIA was enacted for the purpose of establishing a transparent and fair distribution practice for mobile devices, and it limits the amount of subsidies a wireless telecommunications service provider can provide to subscribers in order to prevent excessive competition among wireless telecommunications service providers. Pursuant to the MDDIA, wireless telecommunications service providers are prohibited from (i) unfairly providing discriminatory subsidies based on criteria such as type of subscription, subscription plan and characteristics of the subscriber, (ii) providing subsidies exceeding a maximum limit established by the KCC (such limit to be determined between Won 250,000 and Won 350,000, which may be adjusted every six months, with the current limit set at Won 330,000, effective as of April 24, 2015) for the purchase of mobile phone models that were launched within the last 15 months, and (iii) entering into a separate agreement with subscribers imposing obligations to use a specific subscription plan as a condition for providing subsidies. In addition, under the MDDIA, wireless telecommunications service providers are obliged to provide certain benefits, such as discounted rates, to subscribers who subscribe to their service without receiving subsidies, in an amount corresponding to such subsidies. It is difficult to estimate the impact the MDDIA will have on our results of operations as we believe the imposition of the MDDIA may affect the wireless telecommunications industry in various ways that we cannot fully predict, including the impact on our competitors and consumer behavior, which may have an adverse impact on our business. See Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation.

The Government also plays an active role in the selection of technology to be used by telecommunications operators in Korea. For example, the MIC adopted the WCDMA and CDMA2000 technologies as the only standards available in Korea for implementing third generation (3G) services. The MSIP may impose similar restrictions on the choice of technology used in future telecommunications services, and it is possible that technologies promoted by the Government in the future may not provide the best commercial returns for us.

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

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

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

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless telecommunications service providers while retaining the same mobile phone number. In addition, the MIC has also required all new subscribers to be given numbers with the 010 prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services. The MSIP, which is pursuing the integration process, required all 3G and LTE service users to change their mobile telephone number prefix to 010 by December 31, 2013 as the next step in the 010 integration process. As a result, all 3G and LTE service users mobile telephone numbers start with the 010 prefix as of January 1, 2014. The MSIP plans to complete the integration process by around 2018, when all mobile telephone numbers would have the prefix identification number 010. Historically, 011 has had high brand recognition in Korea as the prefix for premium wireless telecommunications service. The Government s adoption of the number portability system and the consolidation of the prefix numbers have resulted in and may continue to result in weakened customer loyalty, increased competition among wireless telecommunications service providers and higher costs of marketing, increased subscriber deactivations and increased churn rate, all of which had, and may continue to have, an adverse effect on our results of operations. See Item 5. Operating and Financial Review and Prospects and Item 4.B. Business Overview Subscribers Number Portability.

In addition, the MSIP may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MSIP may levy a monetary penalty of up to 3.0% of the average of our annual revenue for the preceding three fiscal years. The KCC had the same authority in the previous Government and exercised such authority to suspend our business and impose fines on us. For example, in December 2013, the KCC imposed fines on each of us, KT and LG U+, which amounted to a combined amount of approximately Won 106 billion, which is the largest fine ever imposed by the KCC for providing discriminatory handset subsidies to subscribers. In March 2014, the MSIP imposed a suspension on each of us, KT and LG U+ from acquiring new subscribers for a period of 45 days, which is the longest suspension period imposed on us by the Government for providing discriminatory handset subsidies to subscribers. In addition, the MSIP announced that it plans to bring criminal charges with monetary fines of up to Won 150 million and up to three-years imprisonment against any carrier and responsible personnel that fails to adhere to the suspension or continues to offer illegal subsidies after the suspension is completed. The KCC also imposed an additional suspension of business on us for a period of seven days and on LG U+ for a period of 14 days and imposed a fine on each of us, KT and LG U+ for the same reason. On March 26, 2015, the KCC imposed a fine of Won 23.5 billion on us and imposed a suspension on acquiring new subscribers for a period of seven days for providing subsidies to subscribers in excess of the amounts permitted under the MDDIA. For more information about the penalties imposed for violating Governmental regulations, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC, KCC and MSIP Proceedings. The revocation of our cellular licenses, suspension of our business or imposition of monetary penalties by the MSIP could have a material adverse effect on our business. We believe we are currently in compliance with the material terms of all our cellular licenses, including our WCDMA, LTE and WiBro licenses.

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

The Government endeavors to promote competition in the Korean telecommunications markets through measures designed to prevent a dominant service provider from exercising its market power and deterring the emergence and development of viable competitors. We have been designated by the MSIP as the dominant network service provider in respect of our wireless telecommunications business. As such, we are subject to additional regulations to which certain of our competitors are not subject. For example, under current Government regulations, we must obtain prior approval from the MSIP to raise our existing rates or introduce new rates. See Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation. The MSIP could also require us to charge higher usage rates than our competitors for future services or to take certain actions earlier than our competitors, as when the KCC required us to introduce number portability earlier than our competitors, KT and LG U+.

We also qualify as a market-dominating business entity under the Fair Trade Act, which subjects us to additional regulations. For instance, during our acquisition of Shinsegi Telecom, Inc. (Shinsegi), which closed in 2002, the FTC approved the acquisition on the condition that, among other things, our and Shinsegi s combined market share in the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% as of June 30, 2001. In order to satisfy this condition, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers from April 1, 2001 through June 30, 2001. While we are no longer subject to any market share limitations, the Government may impose restrictions on our market share in the future. If we become subject to market share limitations, our ability to compete effectively will be impeded.

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

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

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

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

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

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

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The legislators and financial regulators in the United States and other jurisdictions, including Korea, have implemented a number of policy measures designed to add stability to financial markets. The overall impact of these legislative and regulatory efforts on the global financial markets continues to be uncertain, and they may not have the intended stabilizing effects. While the rate of deterioration of the global economy has slowed since the second half of 2009, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2015 and beyond remain uncertain. For example, commencing in the second half of 2011, the global financial markets have experienced significant volatility as a result of, among other things, the financial difficulties affecting many other governments worldwide, in particular in Southern Europe and Latin America and the slowdown of economic growth in China and other major emerging market economies, as well as political instability in various countries in the Middle East and Northern Africa, including in Iraq, Syria and Yemen, as well as in the Ukraine and Russia. In light of the high level of interdependence of the global economy, these or other developments could potentially trigger another financial and economic crisis.

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

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developments in the global or Korean economies or financial markets may have a material adverse effect on our business and the ability to meet our funding needs, as well as negatively affect the market value of our common shares and ADSs.

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

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

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

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

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

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

Risks Relating to Korea

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

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

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has also fluctuated widely. See Item 3.A. Selected Financial Data Exchange Rates. A depreciation of the Won increases the cost of imported goods and services and the Won revenue needed by Korean companies to service foreign currency denominated debt. An appreciation of the Won, on the other hand, causes export products of Korean companies to be less competitive by raising their prices in terms of the relevant foreign currency and reduces the Won value of such export sales. Furthermore, as a result of adverse global and Korean economic conditions, there has been continuing volatility in the stock prices of Korean companies. The Korea Composite Stock Price Index (KOSPI) declined from 1,897.1 on December 31, 2007 to 938.8 on October 24, 2008. While the KOSPI has recovered since 2008, closing at 2,147.67 on April 28, 2015, there is no guarantee that the stock prices of Korean companies will not decline again in the future. Future declines in the KOSPI and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may continue to adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

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

- difficulties in the financial sectors in Europe and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;

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

increasing levels of household debt;

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

further decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;

declines in consumer confidence and a slowdown in consumer spending;

difficulties in the financial sector in Korea, including the savings bank sector;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

social and labor unrest;

a decrease in tax revenues and a substantial increase in the Government s expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean conglomerates;

increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

the economic impact of any pending or future free trade agreements;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

natural disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

the occurrence of severe health epidemics in Korea and other parts of the world including the recent Ebola outbreak;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or increase in the price of oil;

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and

changes in financial regulations in Korea.

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

Relations between Korea and North Korea have been tense throughout Korea s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of

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North Korea s political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il s third son, Kim Jong-un, has assumed power as his father s designated successor, the long-term outcome of such leadership transition remains uncertain.

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

In April 2013, North Korea blocked access to the inter-Korean industrial complex in its border city of Gaeseong to South Koreans, while the U.S. deployed nuclear-capable stealth bombers and destroyers to Korean air and sea space.

In March 2013, North Korea stated that it had entered a state of war with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and expanded sanctions against North Korea, most recently in March 2013.

In December 2012, North Korea launched a satellite into orbit using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the agreement with the United States as well as United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology.

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

North Korea s economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

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

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

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (1) false or inaccurate statements provided in the registration statements, prospectuses, business reports, audit reports, semi-annual or quarterly reports and material fact reports and omission of material information in such documents, (2) insider trading, (3) market manipulation and (4) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can

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divert management time and attention from the operation of a business. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Securities

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

The Telecommunications Business Act currently sets a 49.0% limit on the aggregate foreign ownership of our issued shares. Under the Telecommunications Business Act, as amended, a Korean entity, such as SK Holdings Co., Ltd. (SK Holdings), is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15.0% or more of the issued voting stock of the Korean entity. As of December 31, 2014, SK Holdings owned 20,363,452 shares of our common stock, or approximately 25.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of December 31, 2014, which we believe was 43.47%) would exceed the 49.0% ceiling on foreign shareholding. As of December 31, 2014, a foreign investment fund and its related parties collectively held a 1.1% stake in SK Holdings. We could breach the foreign ownership limitations if the number of common shares or ADSs owned by other foreign persons significantly increases.

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

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

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

As of December 31, 2014, SK Holdings owned 25.22% of our total issued common shares and has not agreed to any restrictions on its ability to dispose of our shares. See Item 7.A. Major Shareholders. We can make no prediction as to the timing or amount of any sales of our common shares. We cannot assure you that future sales of our common shares, or the availability of our common shares for future sale, will not adversely affect the prevailing market value of our common shares or ADSs from time to time.

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

Under the deposit agreement, holders of our common shares may deposit those shares with the ADR depositary s custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the ADR depositary and receive our common shares. However, under the terms of the deposit agreement, as amended, the depositary bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of our common shares represented by ADSs, which was 10,000,488 shares as of March 31, 2015, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depositary bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable

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Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3.0% of our common shares. See Item 10.B. Memorandum and Articles of Incorporation Description of American Depositary Shares. It is possible that we may not give the consent. Consequently, an investor who has surrendered his or her ADSs and withdrawn the underlying shares may not be allowed to deposit the shares again to obtain ADSs.

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

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

- a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

- the offering and sale of those shares is exempt from, or is not subject to, the registration requirements of the Securities Act.

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

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

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

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

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

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

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies, which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the SEC and listed on the New York Stock Exchange (the

NYSE), we are, and in the future will be, subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the NYSE. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information available could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

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

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

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

Item 4. ***INFORMATION ON THE COMPANY***

Item 4.A. ***History and Development of the Company***

As Korea s first wireless telecommunications service provider, we have a recognized history of leadership and innovation in the domestic telecommunications sector. Today, we remain Korea s leading wireless telecommunications services provider and have continued to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We also continue to look outside Korea for investment and growth opportunities. We believe we are also a leader in developing new products and services that reflect the increasing convergence of telecommunications technologies, as well as the growing synergies between the telecommunications sector and other industries.

We provide our wireless telecommunications services principally through backbone networks using CDMA, WCDMA and LTE technologies. Collectively, these networks can access approximately 99% of the Korean population. In addition, we also provide wireless broadband Internet access through our WiBro service. For a more detailed description of our backbone networks, see Digital Wireless Network below. Our advanced and extensive wireless telecommunications infrastructure has enabled us to offer high-quality cellular voice transmission services at competitive prices, as well as to develop and deploy an increasingly sophisticated range of wireless data and multimedia products and services, including wireless Internet services, in step with technological advancements and growing consumer demand. We believe our network infrastructure also provides us with a competitive advantage in pioneering new business opportunities created by digital convergence.

As of December 31, 2014, we had approximately 28.6 million wireless subscribers throughout Korea, including the number of MVNO subscribers leasing our networks, of which 26.3 million owned Internet-enabled handsets capable of accessing our wireless Internet services. As of December 31, 2014, our share of the Korean wireless market was approximately 50.0%, based on number of subscribers, according to the MSIP. MVNOs leasing our networks had a total of 2.1 million subscribers, representing a market share of approximately 3.7%.

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In September 2009, we acquired additional shares of SK Broadband s common stock, increasing our equity stake to 50.6%, which we intend to increase to 100.0% pursuant to a share exchange transaction described in Recent Developments below. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and Internet protocol TV (IP TV) services, as well as fixed-line telephone services. As of December 31, 2014, we had approximately 4.8 million broadband Internet access subscribers, 2.8 million IP TV subscribers and 4.8 million fixed-line telephone subscribers (including subscribers to VoIP services of SK Broadband and SK Telink Co., Ltd. (SK Telink)).

In September 2009, we completed the acquisition of the leased-line business and related ancillary businesses of SK Networks Co., Ltd. (SK Networks) for approximately Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. Historically, we have relied on KT and SK Networks to provide a substantial majority of the transmission lines we lease.

In February 2012, we acquired a 21.1% equity stake in SK Hynix, one of the world s largest memory-chip makers by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder.

On March 31, 2015, we had a market capitalization of approximately Won 22.0 trillion (US$19.9 billion, as translated at the noon buying rate of March 31, 2015) or approximately 1.7% of the total market capitalization on the KRX KOSPI Market, making us the seventh largest company listed on the KRX KOSPI Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the NYSE since June 27, 1996.

We established our telecommunications business in March 1984 under the name of Korea Mobile Telecommunications Co., Ltd. We changed our name to SK Telecom Co., Ltd., effective March 21, 1997. In January 2002, we merged with Shinsegi, which was then the third-largest wireless telecommunications service provider in Korea. Our registered office is at SK T-Tower, 65, Eulji-ro, Jung-gu, Seoul 100-999, Korea and our telephone number is 82-2-6100-2114.

Recent Developments

On March 20, 2015, each of the board of directors of SK Telecom and SK Broadband resolved to approve a share exchange transaction (the Share Exchange) through which we plan to acquire all of the shares of SK Broadband that we do not otherwise own in exchange for our treasury shares such that SK Broadband will become our wholly-owned subsidiary. We believe that by SK Broadband becoming our wholly-owned subsidiary, we will be able to strengthen our competitiveness by improving management efficiency of, and maximizing synergies between, us and SK Broadband. The Share Exchange is currently scheduled for June 9, 2015, but remains subject to the approval of SK Broadband s shareholders and our board of directors pursuant to applicable Korean law. In certain circumstances, the Share Exchange may require the approval of SK Telecom s shareholders in lieu of the approval of our board of directors. We expect to exchange 2,471,883 treasury shares for the common shares of SK Broadband at a share exchange ratio of 1:0.0168936, subject to adjustments.

Upon the completion of the Share Exchange, (i) there will be no change in the share ownership interest of our existing shareholders, our corporate governance structure or our management, (ii) SK Telecom will be the parent company of SK Broadband with 100% ownership and will remain a listed corporation on the KRX KOSPI Market and the NYSE and (iii) SK Broadband will become a wholly-owned subsidiary of SK Telecom and will be delisted from the KRX KOSDAQ Market of the Korea Exchange (the KRX KOSDAQ Market). For further details regarding the Share Exchange, refer to the Form 6-K furnished to the SEC on March 20, 2015 and the Form 6-K/A furnished to the SEC on April 8, 2015 as well as our Form CB filed with the SEC on April 21, 2015.

Korean Telecommunications Industry

Established in March 1984, we became the first wireless telecommunications service provider in Korea. We remained the sole provider of wireless telecommunications services until April 1996, when Shinsegi commenced cellular service. The Government began to introduce competition into the fixed-line and wireless telecommunications services markets in the early 1990 s. During this period, the Government allowed new competitors to enter the fixed-line sector, sold a controlling stake in us to the SK Group, and granted a cellular license to our first competitor, Shinsegi. In October 1997, three additional companies, KTF, LG Telecom and Hansol PCS, began providing wireless telecommunications services under Government licenses to provide wireless telecommunications services.

In 2000 and 2001, the Korean wireless telecommunications market experienced significant consolidation. In January 2002, Shinsegi was merged into us. Additionally, two of the other wireless telecommunications services providers merged. See Item 4.B. Business Overview Competition.

There are currently three providers of wireless telecommunications services in Korea: our company, KT (into which KTF merged) and LG U+ (formerly, LG Telecom). According to the MSIP, as of December 31, 2014, the market share of the Korean wireless telecommunications market in terms of number of subscribers of KT and LG U+ was approximately 30.3% and 19.7%, respectively (compared to our market share of 50.0%), each including the number of MVNO subscribers leasing the respective networks. As of December 31, 2014, MVNOs had a combined market share of 8.0%, of which MVNOs leasing our networks represented 3.7%, MVNOs leasing KT s networks represented 3.6% and MVNOs leasing LG U+ s networks represented 0.6%.

A one-way mobile number portability (MNP) system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LG Telecom. From July 2004, a two-way MNP system was implemented so that KTF subscribers could transfer to us and LG Telecom. A three-way MNP system has been in effect since January 2005 so that subscribers from each of the wireless telecommunications service providers may transfer to any other wireless telecommunications service provider. During 2014, 2013 and 2012, approximately 3.6 million, 4.2 million and 4.5 million, respectively, of our subscribers migrated to our competitors and approximately 3.4 million, 3.8 million and 4.5 million, respectively, of our competitors subscribers migrated to our service.

In January 2005, the Government granted each of us and KT a license to offer WiBro service.

Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration being under five lines per 100 population in 1978 and increasing to 47.9 lines per 100 population as of December 31, 2006 before decreasing to 33.0 lines per 100 population as of December 31, 2014, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 111.5 subscribers per 100 population as of December 31, 2014. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	As of December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except for per population amounts)				
Population of Korea(1)	51,328	51,141	50,948	50,734	50,516
Wireless Subscribers(2)	57,208	54,681	53,624	52,507	50,767
Wireless Subscribers per 100 Population	111.5	106.9	105.3	103.5	100.5
Telephone Lines in Service(2)	16,939	17,620	18,261	18,633	19,273
Telephone Lines per 100 Population	33.0	34.5	35.8	36.7	38.2

(1) Source: The Ministry of Government Administration and Home Affairs.

(2) Source: MSIP.

The Korean telecommunications industry is one of the most developed in the world in terms of wireless penetration and in terms of the growth of wireless data services, including wireless Internet services. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, was 111.5% as of December 31, 2014 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 57.2 million as of December 31, 2014.

Since the introduction of short text messaging in 1998, Korea s wireless data market has grown rapidly. This growth has been driven, in part, by the rapid development of wireless Internet service since its introduction in the second half of 1999. All of the Korean wireless telecommunications service providers have developed extensive wireless Internet service portals.

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As of December 31, 2014, approximately 52.8 million Korean wireless subscribers owned Internet-enabled handsets capable of accessing wireless Internet services, including 40.6 million subscribers that own smartphones that have direct access to the Internet using mobile Internet technology. The table below sets forth certain penetration information regarding the number of Internet-enabled handsets, smartphones and wireless subscribers in Korea as of the dates indicated:

	As of December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except for percentage data)				
Number of Wireless Internet-Enabled Handsets	52,833	50,858	50,420	49,297	48,085
Number of Smartphones	40,560	37,517	32,727	22,578	N/A
Total Number of Wireless Subscribers	57,208	54,681	53,624	52,507	50,767
Penetration of Wireless Internet-Enabled Handsets	92.4%	93.0%	94.0%	93.9%	94.7%
Penetration of Smartphones	68.2%	66.9%	61.0%	43.0%	N/A

Source: MSIP.

N/A = Not available.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia Pacific region. According to Korea Internet & Security Agency (KISA), the number of Internet users in Korea increased from approximately 3.1 million in 1998 to approximately 41.1 million as of July 2014, representing a 17.6% compound annual growth rate. From the end of 2005 to the end of 2014, the number of broadband Internet access subscribers increased from approximately 12.2 million to approximately 19.2 million, representing a 5.2% compound annual growth rate. In connection with such growth in broadband Internet usage, the number of IP TV subscribers has also increased rapidly. The table below sets forth certain information regarding Internet users and broadband Internet access subscribers as of the dates indicated:

	As of December 31,				
	2014	2013	2012	2011	2010
	(In thousands)				
Number of Internet Users(1)	41,118(2)	40,080(2)	38,120(2)	37,180(2)	37,010(3)
Number of Broadband Internet Access Subscribers(4)	19,199	18,738	18,253	17,860	17,224
Number of IP TV Subscribers(5)	10,840	8,738	6,457	4,894	3,646

(1) Source: KISA.

(2) As of July 2014, 2013, 2012 and 2011, respectively.

(3) As of May 2010.

(4) Source: MSIP. Includes subscribers accessing Internet service using digital subscriber line, or xDSL, connections; cable modem connections; local area network, or LAN, connections; fiber-to-the-home, or FTTH, connections and satellite connections.

(5) Source: MSIP.

Item 4.B. ***Business Overview***

Overview

We are Korea s leading wireless telecommunications services provider and continue to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We provide the following core services:

Cellular voice services. We provide wireless voice transmission services to our subscribers through our backbone wireless networks and also offer wireless global roaming services through service agreements with various foreign wireless telecommunications service providers. (Accordingly, while cellular voice services principally refer to our core wireless voice transmission services, they also comprise our wireless voice and data global roaming services.)

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Wireless data services. We also provide wireless data transmission services, including wireless Internet access services, which allow subscribers to access a wide range of online digital contents and services, as well as to send and receive text and multimedia messages, using their mobile phones.

Broadband Internet, IP TV and fixed-line telephone services. Through SK Broadband, we provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services. We also provide local, domestic long-distance and international long-distance fixed-line telephone services to residential and commercial subscribers.

New businesses. We also strive to continually diversify our services by engaging in various new businesses that we believe are complementary to our existing product and service portfolio. The principal new businesses that we are engaged in include the following:

our platform business, which is operated by our wholly-owned subsidiary, SK Planet Co., Ltd. (SK Planet) and includes platforms such as 11th Street, Syrup, T Store, T-Map Navigation and Hoppin;

our B2B solutions business, through which we provide customized business solutions and applications to corporate customers;

our healthcare business; and

our other businesses, including our multimedia and audio/video product business through which we provide products such as smart beams, smart speakers and other audio products developed by Iriver, which we acquired in 2014.

We provide our wireless telecommunications services through our proprietary backbone networks based on CDMA, WCDMA and LTE technologies. We also offer wireless data transmission and wireless Internet access services through our WiBro network. For more information on our backbone networks, see Digital Wireless Network.

Our Business Strategy

We believe that trends in the Korean telecommunications industry during the next decade will mirror those in the global market and will be characterized by rapid technological change, reduced regulatory barriers and increased competition. Against the backdrop of these industry trends, we aim to enhance shareholder value by maintaining and consolidating our leading position in the Korean market for wireless telecommunications services, including wireless voice and data transmission services, as well as by leveraging our competitive strengths to exploit new opportunities arising from increasing digital convergence and the globalization of the telecommunications market.

Our principal strategies are to:

Enhance the technical capabilities of our wireless networks to improve data transmission speed and service quality and to offer an increased range of services, including in connection with our development of new and advanced wireless technologies. We believe we have the most extensive and advanced wireless telecommunications network in Korea, and we are committed to ensuring that our delivery platforms keep pace with the latest technological advancements. We commenced commercial LTE services in July 2011 and LTE smartphone services in September 2011, and expanded the coverage area of our LTE services to nationwide by the end of April 2012. We launched our LTE multi-carrier service (which allows mobile devices to seamlessly wander between our LTE frequency spectrums) in the 1.8 GHz spectrum in July 2012. In June 2013, we commenced providing commercial LTE-A services using carrier aggregation technology which combines spectrum frequencies to improve data transmission speed of up to 150 Mbps. In June 2014, we launched wideband LTE-A services of up to 225 Mbps and expanded coverage nationwide in 2014. In December 2014, we commenced tri-band LTE-A services which bundles three different bandwidths to allow faster network service at speeds of up to 300 Mbps in Seoul and other metropolitan areas and we expect to expand our coverage for such services in 2015. We plan to continue upgrading and expanding our backbone network infrastructure in line with new developments in wireless telecommunications technology. We believe that ensuring the quality and technical sophistication of our wireless networks will, among other things, allow us to provide our subscribers with top-quality service, to introduce the latest wireless telecommunications products and services more quickly and to efficiently implement new wireless technologies as market opportunities arise.

Drive the growth of wireless Internet in Korea. In recent years, the Korean telecommunications industry has experienced significant growth in wireless Internet services as the number of smartphone users has increased rapidly. We plan to establish and maintain our leadership by securing a competitive line-up of various devices including smartphones and tablets and streamlining the subscription process and pricing structures to enable subscribers to easily access their mobile content from multiple devices. We also intend to focus on developing differentiated services and various platforms in order to achieve our goal of leading the Korean wireless telecommunications market.

Offer a broad range of new and innovative wireless data contents and services. We plan to improve the service quality and expand the range of our wireless data contents and services with a view to increasing revenues from these services to complement our core cellular revenues. In particular, we believe demand for wireless access to entertainment-related digital contents and services, wireless access to community and social networking platforms and wireless access to financial-related contents and services, or mobile commerce services, will continue to grow. We continue to actively seek partnerships with, as well as strategic investments in, digital media content providers, financial services providers and wireless application developers to improve the breadth and quality of the wireless data contents and services we offer to our subscribers. We also intend to expand the operation of T Store by constructing an environment where outstanding developers can be nurtured and high-quality content can be produced.

Create increasing synergies with the businesses operated by our subsidiaries. We continue to create synergies among our various product and service offerings to increase customer loyalty from our subscribers and increase our competitiveness. For example, we provide various bundled fixed-line, mobile telecommunications, broadband Internet and IP TV, including mobile IP TV, services together with SK Broadband, and we believe such bundled service offerings contribute to increased customer retention for both SK Telecom and SK Broadband and also increase our competitiveness in acquiring new subscribers due to more competitive pricing and increased convenience. In addition, while SK Planet s various platform services generate independent revenue streams, certain of their services are offered as value-added services to SK Telecom s wireless subscribers free of charge, which we believe increases customer loyalty. For example, T-Map Navigation is provided to SK Telecom s wireless subscribers free of charge whereas wireless subscribers to KT and LG U+ pay a fee to use this service.

Pursue our platform business and our B2B solutions business. We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. We also plan to enhance our enterprise value by expanding into media platforms and advertising platforms. In addition, we plan to grow our B2B solutions business to generate greater value and growth for both us and our customers and partners around the globe. For example, in April 2014, we acquired a controlling interest in Neosnetworks, a provider of residential and small business electronic security and other related alarm monitoring services. Through our B2B solutions business, we endeavor to provide customized value-added services such as applications and solutions to clients in different businesses based on existing network infrastructure. Building on existing infrastructures, we anticipate that value-added services to business clients will generate greater revenues compared to the current B2B business model. Once we establish prototypes categorized by the type and size of the business, we intend to expand and apply such business models to other businesses in the same field. We are in the process of working with various clients in finance, education, health, shopping and other areas.

Pursue diversification and growth through M&A opportunities. We continue to seek opportunities to develop new businesses that we believe are complementary to our existing product and service portfolio and expand our global business through selective acquisitions. For example, in 2014, we acquired interests in Neosnetworks, a provider of residential and small business electronic security and other related alarm monitoring services, and Iriver, a manufacturer of digital audio players and other portable media devices, and SK Planet acquired 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.

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Digital Wireless Network

We offer wireless voice and data transmission services throughout Korea using digital wireless networks, including a CDMA network, a WCDMA network, an LTE network, a WiBro network and a Wi-Fi network. We commenced commercial LTE services in Seoul on July 1, 2011 and expanded the coverage area of our LTE services to 28 cities as of January 1, 2012. We further expanded the coverage area of our LTE services to nationwide by the end of April 2012. The table below sets forth the number of subscribers, including subscribers of MVNOs that lease our wireless networks, using our various digital wireless networks as of the dates indicated:

			As of December 31,		
	2014	2013	2012	2011	2010
			(In thousands)		
Network					
CDMA	3,521,205	3,956,520	4,972,306	6,881,756	9,804,407
WCDMA	8,354,711	9,909,196	14,458,523	19,036,649	15,900,632
LTE	16,737,425	13,486,766	7,530,216	634,311	

Source: MSIP.

CDMA Network

CDMA technology is a continuous digital transmission technology that accommodates higher throughput than analog technology by using various coding sequences to allow concurrent transmission of voice and data signals for wireless communication. In January 1996, we launched our first wireless network based on CDMA technology and became the world s first to commercialize CDMA cellular service. In 2004, we completed the full upgrade of our CDMA network to CDMA 1xEV-DO technology which enables data to be transmitted at speeds of up to 2.4 Mbps allowing for interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services.

WCDMA Network

WCDMA is a high capacity wireless communication system that enables us to offer significantly faster and higher-quality voice and data transmission and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications, than is possible through our CDMA networks. We commenced provision of our WCDMA services using our HSDPA-upgraded WCDMA network on a limited basis in Seoul at the end of 2003. In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced technology than the initial WCDMA technology we implemented. In March 2007, we completed the nationwide expansion of our HSDPA-capable WCDMA network. In May 2010, we commenced commercial HSUPA services and in October 2010, we commenced HSPA+ services. In particular, while HSDPA enables significantly improved downlink data transmission speeds, HSUPA permits faster uplink speeds. Our implementation of HSDPA, HSUPA and HSPA+ technology allows us to offer significantly improved, and a wider range of, wireless data transmission services, including more sophisticated multimedia digital contents and products, within our WCDMA network.

WiBro Network

We received a license from the MIC in 2005 to provide WiBro services which we believe complements our existing networks and technologies. WiBro is a data-only transmission technology that enables high-speed wireless broadband access to portable computers, mobile phones and other portable devices. We conducted initial pilot testing of WiBro service in limited areas of metropolitan Seoul in May 2006 and currently provide service nationwide. We use our WiBro network as a backhaul for our mobile Wi-Fi network.

Wi-Fi Network

Wi-Fi technology enables our subscribers with Wi-Fi-capable devices such as smartphones, laptops and tablet computers to access mobile Internet at a speed faster than our WCDMA or WiBro networks, although the service range of each Wi-Fi access point is smaller than that of our WCDMA or WiBro networks. We started to build Wi-Fi

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access points in 2010 and, as of December 31, 2014, we had more than 142,000 Wi-Fi access points in public areas such as shopping malls, restaurants, coffee shops, subways and airports where, generally, the demand for high-speed wireless Internet service is high. While each Wi-Fi access point typically has a radius of approximately 20-30 meters, some of our Wi-Fi hot zones, which have multiple Wi-Fi access points, including those installed at public transportation facilities and amusement parks, have much wider service areas. We plan to continue to increase the number of Wi-Fi access points in 2015.

LTE Network

We commenced commercial wireless telecommunications services based on LTE technology, which is generally referred to as a fourth generation technology, on July 1, 2011 and expanded the coverage area of our LTE services to nationwide by the end of April 2012. We launched our LTE multi-carrier service in the 1.8 GHz spectrum in July 2012. In June 2013, we commenced providing commercial LTE-A services at speeds of up to 150 Mbps using carrier aggregation technology which combines spectrum frequencies to improve data transmission speed and capacity, and in June 2014, we launched wideband LTE-A services at speeds of up to 225 Mbps and expanded coverage nationwide in 2014. In December 2014, we commenced tri-band LTE-A services which bundles three different bandwidths to allow faster network service at speeds of up to 300 Mbps in Seoul and other metropolitan areas and we expect to expand our coverage for such services in 2015. Several wireless carriers in the United States, Europe and Asia commenced LTE services in 2010 and 2011 and LTE technology has become widely accepted globally as the standard fourth generation technology. LTE technology enables data to be transmitted at speeds faster than our CDMA, WCDMA or WiBro networks. Our continued upgrades to our LTE technology enables even faster data transmission speeds, as shown below.

Wireless network technology (Month of commencement of services)	**Maximum download speed for data transmission**	**Maximum upload speed for data transmission**
LTE (July 2011)	75 Mbps	37.5 Mbps
LTE-A (June 2013)	150 Mbps	75 Mbps
Wideband LTE-A (June 2014)	225 Mbps	112.5 Mbps
Tri-band LTE-A (December 2014)	300 Mbps	150 Mbps

The faster data transmission speed of our LTE network has allowed us to offer significantly improved wireless data transmission services, providing our subscribers with faster wireless access to multimedia content. We have been building new access networks and evolved packet cores for our LTE network, while we utilize our existing WCDMA network for other parts of our LTE network. For more information about our capital expenditures relating to our LTE network, see Item 5.B. Liquidity and Capital Resources. As of December 31, 2014, we had 16.7 million LTE subscribers.

Network Infrastructure

The principal components of our wireless networks are:

- *Cell sites,* which are physical locations equipped with transmitters, receivers and other equipment that communicate by radio signals with wireless handsets within range of the cell (typically a 3 to 40 kilometer radius);

- *Switching stations*, which switch voice and data transmissions to their proper destinations, which may be, for instance, a mobile phone of one of our subscribers (for which transmissions would originate and terminate on our wireless networks), a mobile phone of a KT or LG U+ subscriber (for which transmissions would be routed to KT s or LG U+ s wireless networks, as applicable), a fixed-line telephone number (for which calls would be routed to the public switched telephone network of a fixed-line network operator), an international number (for which calls would be routed to the network of a long distance service provider) or an Internet site; and

- *Transmission lines*, which link cell sites to switching stations and switching stations with other switching stations.

As of December 31, 2014, our CDMA, WCDMA, LTE and WiBro networks had an aggregate of 50,158 cell sites.

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We have purchased substantially all of the equipment for our CDMA network from Samsung Electronics and have purchased substantially all of the equipment for our WCDMA network, including the software and firmware used to upgrade our WCDMA network, from Samsung Electronics and Ericsson LG. We have purchased substantially all of the equipment for our LTE network from Samsung Electronics, Ericsson LG and Nokia Siemens Networks B.V.

Most of the transmission lines we use, including virtually all of the lines linking switching stations, as well as a portion of the lines linking cell sites to switching stations, comprise optical fiber lines that we own and operate directly. However, we have not undertaken to install optical fiber lines to link every cell site and switching station. In places where we have not installed our own transmission lines, we have leased lines from SK Networks, KT and, to a lesser extent, SK Broadband and LG U+. In September 2009, we acquired the leased-line business and related ancillary businesses of SK Networks for Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. We intend to increase the efficiency of our network utilization and provide optimal services by internalizing transmission lines.

We use a wireless network surveillance system. This system oversees the operation of cell sites and allows us to monitor our main equipment located throughout the country from one monitoring station. The automatic inspection and testing provided to the cell sites lets the system immediately rebalance to the most suitable setting, and the surveillance system provides for automatic dispatch of repair teams and quick recovery in emergency situations.

Our Services

We offer wireless digital voice and data transmission services via networks that collectively can access approximately 99.0% of the Korean population. We continually upgrade and increase the capacity of our wireless networks to keep pace with advancements in technology, the growth of our subscriber base and the increased usage of voice and wireless data services by our subscribers.

For a discussion of our backbone networks, see Digital Wireless Network above.

Cellular Voice Services

Our cellular voice services, which comprise basic wireless voice transmission services and related value-added services, as well as global roaming services, remain one of our core business areas. We derive revenues from our cellular voice services principally through monthly plan-based fees, usage charges for outgoing voice calls, roaming charges and value-added service fees. For a more complete description of the fees we charge, see Revenues and Rates below.

To complement our basic voice transmission services, in recent years, we have offered increasingly sophisticated and differentiated subscriber-oriented value-added services made possible due to rapid advancements in network technology. Our most popular value-added voice-related services in 2014 included services that provide a record of missed calls in the event a subscriber s mobile phone is engaged or switched off, known as our Call Keeper service; services that play a ring back melody in lieu of a conventional dial tone when callers dial a subscriber s mobile phone, known as COLORing service, as well as COLORing services that periodically change the default ring back melody according to the subscriber s music category selection, known as Auto COLORing service; and services that alert subscribers when a dialed number that was engaged when first dialed is no longer engaged. We also launched a voice-over-LTE service, known as our HD Voice service, in August 2012. HD Voice service is a premium communication service which features high quality voice transmission, fast call connection, voice-to-video call switching and digital content sharing during calls. In addition, we launched our T phone service in February 2014. Our T phone service provides our customers with a number of convenient call functions, including a function to block spam calls and a function called T114 that informs customers of the phone numbers of stores, hospitals and other facilities closest in proximity to the customer s current location.

We also offer cellular global roaming services, branded as our T-Roaming service, through service agreements with various foreign wireless telecommunications service providers. Global roaming services allow subscribers traveling abroad to make and receive calls, often using their regular mobile phone numbers. Subscribers using EV-DO-, WCDMA- and LTE-capable handsets are able to make and receive calls using their regular mobile phone number without changing their handsets. In addition, we provide global roaming service to foreigners traveling to Korea. In such cases, we generally receive a fee from the traveler s local wireless telecommunications service provider.

Our global roaming service is offered in four technologies, in part depending on which mobile phone standards are available in a particular region: CDMA, Global System for Mobile (GSM) Communication standard for wireless telecommunications, WCDMA and LTE roaming. We currently offer CDMA voice roaming services in 14 countries, GSM voice roaming services in 200 countries and WCDMA voice roaming services in 109 countries. We currently do not provide any LTE voice roaming services. In addition, we offer CDMA data roaming services in 7 countries, GSM data roaming services in 153 countries, WCDMA data roaming services in 108 countries and LTE data roaming services in 32 countries. In 2014, approximately 12.0 million subscribers utilized our global roaming services.

SK Telink launched its pre-paid MVNO service in June 2012 and its post-pay MVNO service in January 2013. An MVNO leases the networks of a mobile network operator and provides wireless telecommunication services under its own brand and fee structure, without owning telecommunication networks or frequencies.

In addition, we provide interconnection service to connect our networks to domestic and international fixed-line and other wireless networks. See Interconnection below.

Wireless Data Services (including Wireless Internet Services)

Our wireless data transmission services represent a key and growing business area. We currently offer our subscribers wireless data communications services, as well as wireless access to a wide variety of digital content and services, including Internet-based content and services. We intend to continue to build our wireless data services as a platform for growth, extending our portfolio of wireless data services and developing new content for our subscribers.

We plan to take advantage of the efficiency of our wireless network in order to enable our clients to easily access the Internet. For more information on our backbone networks, see Digital Wireless Network.

Wireless Data, SMS and MMS Services. We provide wireless data communication services, including our basic short text message service (SMS), which allows subscribers to send and receive short text messages to and from their mobile phones and other devices. In addition to text-only SMS, we also offer a multimedia message service (MMS). MMS allows subscribers to send and receive multimedia messages containing graphic, audio and video clips to and from their mobile phones. While MMS is possible through our CDMA network, the implementation of WCDMA and LTE technologies has significantly increased the quality, speed and range of our MMS. In December 2012, we also launched a new all-IP service called joyn.T, an integrated mobile and SMS messaging service with additional features such as photo, video and location sharing that is available over various networks and mobile devices. While our subscribers continue to use our SMS, MMS and joyn.T services, usage of such services has not increased in 2014, in part due to the widespread use of free text message services such as Kakao Talk and Line.

Wireless Internet Services. We provide our smartphone subscribers with direct access to the Internet using mobile Internet technology. Prior to the introduction of smartphones, we offered our feature phone subscribers wireless Internet access to a wide variety of multimedia contents and interactive services through our NATE portal. As of December 31, 2014, approximately 19.5 million, or 68.1%, of our subscribers owned smartphones compared to approximately 18.3 million subscribers, or 66.9%, as of December 31, 2013.

In connection with the continued increase in smartphone usage by our subscribers and the faster data transmission speeds made available by our LTE network, we offer various rate plans that we believe are tailored to meet the increased data usage of our subscribers. Examples of our rate plans that target various data usage patterns include data plans that offer 8GB, 12 GB or 16 GB a month for a monthly fixed rate and up to 2GB of daily usage for any data usage over the monthly fixed amount as well as data plans that offer unlimited data based on time, place and occasion such as our Subway Free plan, which offers unlimited wireless data usage on subway platforms and inside subways and our Commuter Free plan, which offers unlimited wireless data usage during

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rush hour, each for a monthly fixed rate. We believe that such rate plan offerings contribute to a continual increase in data usage by our LTE and smartphone subscribers such that the monthly data usage per LTE subscriber increased to 3.0 GB in December 2014 from 2.0 GB in December 2013. For more detailed information relating to our various rate plans, see Revenue and Rates.

Broadband Internet, IP TV and Fixed-line Telephone Services

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In 2009, we purchased additional shares of SK Broadband s common stock, further increasing our equity interest to 50.6%, which we intend to increase to 100.0% pursuant to the Share Exchange through which we plan to acquire all of the shares of SK Broadband that we do not otherwise own in exchange for our treasury shares. For additional details relating to the Share Exchange, see Item 4.A. History and Development of the Company Recent Developments. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services, as well as fixed-line telephone services and corporate data services.

SK Broadband is the second largest provider of broadband Internet access services in Korea in terms of both revenue and subscribers, and its network covered more than 80% of households in Korea as of December 31, 2014. Its fixed-line telephone services comprise local, domestic long distance, international long distance and VoIP services. VoIP is a technology that transmits voice data through an Internet Protocol network. SK Broadband has offered video-on-demand services since 2006 and has rolled out real-time IP TV services since January 2009. In addition, SK Broadband offers B tv Mobile, a mobile IP TV service that currently provides subscribers access to a wide variety of media contents, including various television programs, movies and other video contents that can be downloaded to wireless devices. For the year ended December 31, 2014, SK Broadband had revenues of Won 2,654.4 billion and net profit of Won 4.3 billion, compared to revenues of Won 2,539.4 billion and net profit of Won 12.3 billion in 2013.

As of December 31, 2014, SK Broadband had approximately 4.8 million broadband Internet access subscribers. According to the MSIP, its market share of Korean broadband Internet access subscribers was approximately 25.1%. Broadband Internet access services accounted for 32.4% of SK Broadband s revenues for the year ended December 31, 2014.

As of December 31, 2014, SK Broadband had approximately 2.8 million IP TV subscribers with a market share of approximately 26.6%. IP TV services (including revenues from video-on-demand services and B tv Mobile) accounted for 18.0% of SK Broadband s revenues for the year ended December 31, 2014.

As of December 31, 2014, SK Broadband had approximately 4.5 million fixed-line telephone subscribers (including subscribers to VoIP services). Since the nationwide implementation of fixed line number portability on August 1, 2004, SK Broadband has been expanding the coverage and subscriber base with its integrated services of long distance and international telephony as well as VoIP services. Fixed-line telephone services accounted for 21.5% of SK Broadband s revenues for the year ended December 31, 2014.

In addition, through our 83.5% owned subsidiary, SK Telink, we provide international telecommunications services, including direct-dial as well as pre- and post-paid card calling services, bundled services for corporate customers, voice services using Internet protocol, Web-to-phone services, and data services. SK Telink provides affordable international call services under the brand name 00700 and has been offering commercial long-distance telephone service since February 2005. SK Telink also operates certain value-added residential telephone services, including a 080 service that allows companies to establish toll-free customer service telephone hotlines, for which all call charges are paid by the company, as well as a general corporate number service that automatically routes calls made to a company s general telephone number to the caller s nearest local branch. SK Telink also offers VoIP services with telephone numbers that have the 070 prefix and provides low-priced residential telephone services with additional value-added services, including SMS, remote office, caller ID display and video call services as well as various commercial telephone services. As of December 31, 2014, SK Telink had 261,190 subscribers to its VoIP services.

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New Businesses

We strive to continually diversify our services by engaging in various new businesses that we believe are complementary to our existing products and services. The principal new businesses that we are engaged in are the platform business, the B2B solutions business and the healthcare business as well as other businesses.

Platform Business. Our platform business provides business platforms and technological support systems for third-party content developers and merchants. We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. In October 2011, in order to develop a management system and corporate culture that is more suitable for the platform business and facilitate the expeditious execution of business strategies, we spun off our platform business into a new wholly-owned subsidiary, SK Planet. Our principal platforms are set forth below:

- *11th Street,* an online shopping mall that links wired and wireless shopping services. As of December 31, 2014, 11th Street continues to be one of the three biggest enterprises in its field. In 2015, we intend to continue to expand and reinforce our mobile version of 11th Street and to consider opportunities in overseas markets to capitalize on developing mobile commerce markets;

- *Syrup*, a mobile wallet service that is the successor to our Smart Wallet service that allows users to conveniently manage membership card points and payment methods such as coupons, Gifticon, credit cards and gift vouchers on their mobile devices for both online and offline purchases;

- *T Store*, an online open marketplace for mobile applications. T Store is open to, and operates with, other open markets such as the Android market and manufacturers open markets;

- *T-Map Navigation*, an interactive navigation service that uses global positioning system (GPS) technology to transmit driving directions, real-time traffic updates and emergency rescue assistance to wireless devices, including vehicle-mounted devices and portable handsets; and

- *Hoppin*, a network-based personalized media platform through which we provide various video contents that can be viewed from multiple devices seamlessly, including smartphones, tablets, personal computers and TVs. We provide a broad selection of movies, television programs and music videos through Hoppin.

B2B Solutions Business. Our B2B solutions business provides customized business solutions and applications to corporate customers. We plan to grow our B2B solutions business to generate greater value and growth for both us and our customers and partners around the globe.

In April 2014, we acquired a 66.7% controlling interest in Neosnetworks, a provider of residential and small business electronic security and other related alarm monitoring services, for an aggregate purchase price of approximately Won 24.0 billion. We acquired additional interests in Neosnetworks in April 2015 for Won 40.0 billion, resulting in an increase in our ownership of Neosnetworks to 83.9%. We expect that this acquisition will enable us to create synergies and provide cross-over services between our network services and home security and monitoring services.

Healthcare Business. We believe that the healthcare business is one of the new growth industries as society ages and medical and health technologies evolve and become integrated with information and communication technologies (ICT). In 2011, we began pursuing new opportunities in the healthcare business area by acquiring a 9.3% equity interest in NanoEnTek Inc. (NanoEnTek), a biotechnology and nanotechnology company manufacturing, among others, point-of-care diagnostics devices. In April 2014, we became the largest shareholder of NanoEnTek with a 26.0% equity interest. In January 2012, we established a joint venture, Healthconnect Co., Ltd. (Healthconnect), with Seoul National University Hospital to develop a health management service model for mobile device users utilizing ICT and currently hold a 49.5% equity interest in Healthconnect. In March 2012, we established a new internal organization, the Health Group, dedicated to developing our healthcare business and related research and development efforts.

We are also seeking opportunities in global healthcare markets. In the first quarter of 2013, we acquired a 49.0% equity interest in X ian Tianlong Service and Technology Co., Ltd. (Tianlong), a Chinese medical device manufacturer. In July 2014, we established the SK Telecom Healthcare R&D Center in Shenzhen, China and the Shenzhen VISTA-SK Medical Center, which we believe will provide us with a strong foothold in expanding our healthcare business in China. Shenzhen VISTA-SK Medical Center was established through a joint venture with Vista Medical Center, a major private healthcare service provider based in Beijing, China, and has the capacity to

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provide medical examinations and checkups to approximately 30,000 people annually. We believe that there are opportunities to create synergies among these centers and the medical device business of Tianlong in expanding our healthcare business in China.

In June 2014, we also entered into a contract to provide medical information systems to six Saudi Arabian hospitals for approximately Won 70.0 billion through a consortium with Seoul National University Bundang Hospital. We expect to further expand our healthcare business in Saudi Arabia and other Middle Eastern countries in the future.

Other Businesses. We also engage in other businesses, including the IoT business (our multimedia and audio/video product business through which we provide products such as smart beams, smart speakers and audio products developed by Iriver), the portal service business and the social networking services business.

In August 2014, we acquired a 39.3% equity interest of Iriver, a manufacturer of digital audio players and other portable media devices, which we increased to 49.0% in December 2014, for an aggregate purchase price of approximately Won 54.5 billion. We also acquired Won 5.0 billion of convertible bonds issued by Iriver, which may be converted into additional equity interests of Iriver when certain conditions are met. We expect that the Internet of Things (IoT) business, which refers to the network of physical electronic devices embedded with various software and connectivity, among other things, will continue to grow and that various smart devices offering advanced features utilizing wireless data networks will continue to be developed and commercialized. We believe the IoT business is one of the main features of the changing ICT business environment and with our acquisition of Iriver, we believe we have established a strong foundation to further engage in the smart device business and develop products such as smart beams, smart speakers, smart robots and other audio/video products which leverage our expertise in telecommunications and healthcare technology.

SK Communications offers a portal service under our NATE brand name at the website www.NATE.com. NATE.com offers a wide variety of content and services, including an Internet search engine, as well as access to free e-mail accounts. SK Communications also operates NATE-ON, an instant messaging service available to NATE users that allows users to chat online using a variety of mobile devices.

In the first quarter of 2012, SK Planet acquired Mad Smart Co., Ltd., which provides tic-toc service, in order to expand its business to mobile communication and social networking services. Mobile social networking service, still in its early stage of development, presents ample opportunities for new businesses and is expected to grow rapidly in the future. SK Planet has focused on providing tic-toc in global markets and launched this service in Southeast Asia and the United States in October 2012 and Turkey in November 2013, expecting to secure its subscriber base by offering a wide range of services, including m-VoIP, multimedia contents sharing and connection with other mobile social networking services. SK Planet plans to continue to create synergies from the acquisition by combining its know-how in platform service and the strengths of tic-toc in social networking services in global markets. SK Planet developed Frankly, a mobile messenger service that built upon and customized tic-toc to local market condition and launched this service in the United States in September 2013 and Korea in October 2013. While tic-toc and Frankly are also offered in Korea, we do not believe this service will have any material adverse effect on the level of SMS usage by our subscribers because free text messaging services were already popular before its launch.

Global Business

We participate in various overseas markets and continue to seek opportunities to expand our global business.

United States. In November 2010, we acquired a 3.3% equity interest in LightSquared for approximately US$60 million. LightSquared planned to build a wholesale wireless broadband network in the United States. However, LightSquared is currently in bankruptcy proceedings in the United States pursuant to Chapter 11 of the U.S. Bankruptcy Code.

In October 2014, SK Planet acquired (through its 95.2%-owned subsidiary) a 100.0% ownership interest in Shopkick, a developer of a shopping app for mobile devices that provides benefits to customers for visiting stores, in order to penetrate the mobile commerce business in the United States for an aggregate purchase price of Won 230.9 billion and the assumption of Won 18.7 billion in current liabilities.

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China. In February 2008, through our wholly-owned Chinese subsidiary, SK Telecom China Holding Company, we invested US$15.6 million to acquire a 65.5% equity interest in Shenzhen E-eye High Tech Co., Ltd. (Shenzhen E-eye High Tech), a GPS service company in China. In 2009, Shenzhen E-eye High Tech and SK Marketing & Company Co., Ltd. (which was subsequently merged into SK Planet in February 2013) established a joint venture to provide telematics services in Beijing, Shanghai and Shenzhen. We believe the acquisition of Shenzhen E-eye High Tech allows us to leverage opportunities created by the rapidly growing telematics market in China.

In March 2008, we acquired a 42.2% equity interest in TR Music Co., Ltd., a major record label in China, for US$10.7 million. In addition, in May 2008 we invested US$7.8 million to acquire a 30.0% equity interest in Magic Tech Network Co., Ltd., a Hong Kong company that develops and publishes online games in China.

We are also expanding into the healthcare business in China through our acquisition of Tianlong and the establishment of SK Telecom Healthcare R&D Center in Shenzhen, China and the Shenzhen VISTA-SK Medical Center described in Our Services New Businesses Healthcare Business above.

Malaysia. In July 2010, we acquired a 27.2% equity interest in Packet One Networks (P1), a Malaysian fourth generation WiMAX telecommunications company and subsidiary of Green Packet Berhad, for US$101 million. In connection with P1 s plan to increase its capital, we made an additional investment of MYR50 million (approximately US$16.3 million) in 2011, which increased our ownership interest to 28.2%. P1 is the first WiMAX service provider in the country which has established itself as the market leader in high-speed wireless broadband services. In February 2014, Green Packet Berhad entered into a share purchase agreement with Telekom Malaysia Berhad (TM), the largest fixed-line telecommunications provider in Malaysia, under which TM became P1 s largest shareholder. As data communication usage continues to increase in Malaysia, we expect to see potential LTE-related business opportunities as the second largest shareholder in P1.

In November 2014, SK Planet and Celcom Axiata, 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 by combining SK Planet s expertise in operating 11th Street and the local business capabilities of Celcom Axiata.

Indonesia. In May 2010, we agreed with PT. Telekomunikasi Indonesia Tbk (TELKOM), the largest telecommunication company in Indonesia, to establish a joint venture to launch and operate a digital content exchange hub (DCEH) in Indonesia. DCEH is a new type of content distribution system to distribute digital content like music, games and video clips for access not only by consumers but also by online music stores and telephone operators. We will provide management expertise in building the DCEH business platform and digital content, while TELKOM will provide its knowledge of the Indonesian market utilizing its position as a key player in the Indonesian telecommunication industry. In July 2013, SK Planet and PT. XL Axiata Tbk, an Indonesian mobile telecommunications provider, established an equally-held joint venture, XL Planet, to launch and operate a mobile commerce business, and in March 2014, launched an online shopping mall Elevenia.

Turkey. In June 2012, SK Planet and Dogus Group, a Turkish conglomerate engaged in various businesses, established an equally-held joint venture, Dogus Planet, to launch and operate mobile commerce businesses based on the commerce platform of 11th Street, in Turkey. In March 2013, Dogus Planet launched n11.com, an online marketplace for the Turkish market. The revenue of n11.com increased by 183% to Won 385.7 billion in 2014 from Won 136.3 billion in 2013 and with revenue of Won 157.1 billion in the fourth quarter of 2014, n11.com became the market leading service provider in Turkey in terms of quarterly revenue.

We also provide healthcare-related services in Saudi Arabia as described in Our Services Healthcare Business above and social networking services in Southeast Asia, United States and Turkey as described in Our Services New Businesses Other Businesses above.

Regional and International Strategic Alliances. We have also entered into various strategic alliances with leading companies in the Asian and European wireless telecommunications markets. For instance, we are a member of the Bridge Alliance, the largest pan-Asian alliance of its kind, which includes eleven of the region s leading wireless telecommunications service providers. In June 2007, we also signed a memorandum of understanding with FreeMove, an alliance of leading European wireless telecommunications service providers, including Orange SA of

France, Telecom Italia Mobile S.p.A. of Italy, T-Mobile International AG & Co. AG of Germany and TeliaSonera Mobile Networks AB of Sweden, for the development of expanded WCDMA-based roaming service in Europe. We plan to continue to improve customer service as well as service quality, by developing co-marketing programs and other joint projects with our regional and global partners and by further fostering our regional and international alliances.

Provision of Wireless Internet Platforms and Wireless Network Solutions to Foreign Wireless Network Operators. We have also sought to expand our global business through sales of our wireless Internet platforms and wireless network solutions, as well as provision of consulting services in the field of mobile communications. In addition, we have also been successful in exporting to other Asian countries and the United States the technological solutions underlying certain value-added and other wireless telecommunications services, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing multimedia files including graphic, audio and video clips.

Revenues and Rates

We offer our wireless telecommunications services on both a postpaid and prepaid basis. Postpaid accounts primarily represent retail subscribers under contract with SK Telecom under which a subscriber is billed in advance a monthly fixed rate in return for a monthly network service allowance, and usage for outgoing voice calls and wireless data services beyond the allowance is billed in arrears. The standard contract period for our rate plans is 24 months, although our subscribers have the option to enter into shorter term contracts or no contract at all. We provide various subsidies, including handset subsidies depending on the length of the contract. Our prepaid service enables individuals to obtain wireless telecommunications services without a long-term contract by paying for all services in advance according to expected usage. Approximately 4.9% of our subscribers received our wireless telecommunications services on a postpaid basis as of February 28, 2015. We do not charge our customers for incoming calls, although we do receive interconnection charges from KT and other companies for calls from the fixed-line network terminating on our networks and interconnection revenues from other wireless network operators. See Interconnection.

We offer various postpaid account plans designed to meet a wide range of subscriber needs and interests, including the following popular plans for subscribers to our LTE network, which accounted for approximately 90% of our new or renewed subscriptions in 2014:

- our LTE Between T plans, which feature unlimited domestic voice minutes with other SK Telecom subscribers, a fixed domestic voice minute allowance for calls to other wireless subscribers and a fixed data transmission allowance per month; and

- our LTE Nationwide plans, which feature unlimited domestic voice minutes regardless of the call counterparty s subscription network, a fixed data transmission allowance per month and depending on the plan, an additional 2GB of daily usage for any data usage over the monthly fixed amount.

Our fixed-rate LTE plans range from Won 35,000 to Won 100,000 per month and our fixed-rate WCDMA plans range from Won 34,000 to Won 100,000 per month. We also offer a standard rate plan for Won 11,000 per month, through which the subscriber is charged per usage amount, other than on SMS usage up to 50 messages per month.

In connection with the increase in data usage due to the widespread use of smartphones and faster transmission speeds made possible by LTE technology, rate plans that provide for increased data usage are our most popular plans. We offer a variety of differentiated optional add-on rate plans that are designed to meet a wide range of subscriber needs and interests, particularly with respect to increased data usage. For example, in the first half of 2014, we launched data plans that offer unlimited data based on time, place and occasion such as our Subway Free plan, which offers unlimited wireless data usage on subway platforms and inside subways and our Commuter Free plan, which offers unlimited wireless data usage during rush hour, each for a fixed rate of Won 9,000 per month. We also offer a daily allowance of 2GB of B tv Mobile access through our Btv Mobile plan for Won 9,000 per month.

We also provide fixed-rate international roaming plans such as our T Roaming Data Unlimited OnePass, which provides unlimited data roaming services for Won 9,000 per day and is available in 147 countries and our

T Roaming Data OnePass Premium, which provides unlimited data roaming services and a usage charge for outgoing voice calls of Won 500 per minute for Won 12,000 per day and is available in 23 countries.

The Government has periodically reviewed the tariffs charged by wireless telecommunications service providers and has, from time to time, suggested tariff reductions. Although these suggestions were not binding, we have implemented some tariff reductions in response to such recommendations, including gradually reducing and abolishing initial subscription fees charged to new customers. See Item 3.D. Risk Factors Risks Relating to Our Business Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows, Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation and Item 5.A. Operating Results Overview.

For all calls made from our subscribers handsets in Korea to any destination in Korea, we charge usage fees based on a subscriber s cellular rate plan. The fees are the same whether the call is local or long distance. With respect to international calls placed by a subscriber, we bill the subscriber the international rate charged by the Korean international telephone service provider through which the call is routed. We remit to that provider the international charge less our usage charges. See Interconnection.

We offer a variety of value-added services, including COLORing, Auto COLORing, Call Keeper and Perfect Call services. Depending on the rate plan selected by the subscriber, the monthly fixed rate may or may not include these value-added services, except Caller ID and call waiting services, which are offered free of charge to all subscribers. In addition, we charge subscribers for purchases of certain digital contents and for certain wireless telecommunications services, such as our mobile commerce transaction services.

Because we have been designated by the MSIP as a dominant network service provider, any modification to our fees, charges or the terms and condition of our service, including promotional rates, requires prior approval by the MSIP. Such pre-approval of the MSIP is not required if we are planning to reduce the rates for each type of services that we provide under the MSIP-approved contractual terms; however, we still have a duty to report the rate reduction to the MSIP.

We also charge our customers a 10.0% value-added tax. We can offset the value-added tax we collect from our customers against value-added tax refundable to us by the Korean tax authorities. We remit taxes we collect from our customers to the Korean tax authorities. We record revenues in our financial statements net of such taxes.

Subscribers

We had 28.6 million wireless subscribers, including the number of MVNO subscribers leasing our networks, as of December 31, 2014, representing a market share of 50.0%, the largest market share among Korean wireless telecommunications service providers. We believe that, historically, our subscriber growth has been affected by many factors, including:

- our expansion and technical enhancement of our networks, including with high-speed data capabilities;
- increasing consumer awareness of the benefits of wireless telecommunications;
- an effective marketing strategy;
- our focus on customer service;
- the introduction of value-added services, such as COLORing, wireless Internet services and various mobile applications; and
- the negative impact from highly saturated and competitive wireless market conditions.

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The following table sets forth selected historical information about our subscriber base for the periods indicated:

	As of or for the Year Ended December 31,		
	2014	2013	2012
Wireless:			
Subscribers(1)	28,613,341	27,352,482	26,961,045
Subscriber Growth Rate	4.6%	1.5%	1.8%
Activations	7,834,510	7,755,292	8,643,852
Deactivations	6,573,651	7,363,858	8,235,523
Average Monthly Churn Rate(2)	2.0%	2.3%	2.6%
Broadband Internet:			
Subscribers	4,810,493	4,569,105	4,394,123
Subscriber Growth Rate	5.3%	4.0%	4.8%
Fixed-line Telephone (including VoIP):			
Subscribers	4,774,748	4,801,047	4,757,152
Subscriber Growth Rate	(0.5)%	0.9%	7.6%

(1) The number of subscribers as of December 31, 2014, 2013 and 2012 include 2,141,172 subscribers, 1,066,848 subscribers and 406,018 subscribers, respectively, of MVNOs that lease our wireless networks.

(2) Average monthly churn rate for a period is the number calculated by dividing the sum of deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period and dividing the quotient by the number of months in the period. Churn includes subscribers who upgrade to a next generation service, such as LTE, by terminating their service and opening a new subscriber account.

For the year ended December 31, 2014, we had 7.8 million activations and 6.6 million deactivations. For 2014, our churn rate ranged from 1.7% to 2.3%, with an average churn rate of 2.0% for 2014, which decreased by 0.3%p from 2013. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

Number Portability

Prior to January 2003, Korea s wireless telecommunications system was based on a network-specific prefix system, in which a unique prefix was assigned to all the phone numbers of a specific wireless telecommunications service provider. We were assigned the 011 prefix, and all of our subscriber s mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix) and our subscribers could not change their wireless phone service to another wireless telecommunications service provider and keep their existing numbers. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications services in Korea, allowing wireless subscribers to switch wireless telecommunications service providers while retaining the same mobile phone number. As mandated by the MIC, we were the first wireless telecommunications service provider to introduce number portability in January 1, 2004, allowing our customers to transfer their numbers to our competitors. Our competitors customers were not able to transfer their number to our service, however, until KT and LG Telecom introduced number portability beginning July 1, 2004 and January 1, 2005, respectively. Subscribers who choose to transfer to a different wireless telecommunications service provider have the right to return to their original service provider without paying any penalties within 14 days of their initial transfer.

During 2014, 2013 and 2012, approximately 3.6 million, 4.2 million and 4.5 million, respectively, of our subscribers migrated to our competitors and approximately 3.4 million, 3.8 million and 4.5 million, respectively, of our competitors subscribers migrated to our service.

During 2014, 2013 and 2012, respectively, we gained approximately 1.3 million, 0.4 million and 0.4 million new subscribers, which represented approximately 49.9%, 37.1% and 36.6% of the aggregate number of new wireless subscribers gained by us, KT and LG U+ in each year.

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In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for wireless telecommunications services, the Government has been integrating mobile telephone identification numbers into a common prefix identification number 010 since January 1, 2004, as further described in Law and Regulation Competition Regulation Number Portability. For details regarding certain fines imposed on us by the MIC in connection with our marketing efforts related to the number portability system, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC, KCC and MSIP Proceedings.

Interconnection

Our wireless and fixed line networks interconnect with the public switched telephone networks operated by KT and SK Broadband and, through their networks, with the international gateways of KT, LG U+ and Onse Telecom Corporation, as well as the networks of the other wireless telecommunications service providers in Korea. These connections enable our subscribers to make and receive calls from telephones outside our networks. Under Korean law, service providers are required to permit other service providers to interconnect to their networks. If a new service provider desires interconnection with the networks of an existing service provider but the parties are unable to reach an agreement within 90 days, the new service provider can appeal to the KCC.

For 2014, our total interconnection revenues were Won 874.4 billion and our total interconnection expenses were Won 997.3 billion. For 2013, our total interconnection revenues were Won 923.7 billion, and our total interconnection expenses were Won 1,043.7 billion. For 2012, our total interconnection revenues were Won 958.7 billion, and our total interconnection expenses were Won 1,057.1 billion.

Our interconnection revenue decreased in 2014 by Won 49.3 billion and our interconnection expenses decreased in 2014 by Won 46.4 billion, primarily due to decreases in interconnection rates in 2014, which were partially offset by an increase in total call volume to mobile devices.

Domestic Calls

Guidelines issued by the MSIP require that all interconnection charges levied by a regulated carrier take into account (i) the actual costs to that carrier of carrying a call or (ii) imputed costs. The MSIP determines interconnection rates applicable to each carrier based on the increase or decrease in costs caused by changes in long-term traffic volume, taking into account other factors such as research results and trends in technology development.

Wireless-to-Fixed-line. According to our interconnection arrangement with KT, for a call from our wireless network to KT s fixed-line network, we collect the usage rate from our wireless subscriber and in turn pay KT the interconnection charges. Similarly, KT pays interconnection charges to SK Broadband for a call from KT s wireless network to SK Broadband s fixed-line network. The interconnection rate applicable to both KT and SK Broadband was Won 13.44 per minute, Won 16.57 per minute and Won 16.58 per minute for 2014, 2013 and 2012, respectively.

Fixed-line-to-Wireless. The MSIP determines interconnection arrangements for calls from a fixed-line network to a wireless network. For a call initiated by a fixed-line user to one of our wireless subscribers, the fixed-line network operator collects our usage fee from the fixed-line user and remits to us an interconnection charge. Interconnection with KT accounts for substantially all of our fixed-line-to-wireless interconnection revenue and expenses.

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The interconnection rates paid by fixed-line network service providers to each wireless network service provider are set out below. In December 2010, the KCC announced that a single interconnection rate will apply to all wireless telecommunications service providers starting from 2013, which will eliminate the cost benefit that KT and LG U+ currently derive from the differences in interconnection rates. However, in November 2012, the KCC announced that it would continue to apply varied interconnection rates for the year 2013 considering the cost difference among wireless network service providers and our position as a dominant network service provider. These regulations remain effective, as the MSIP, in announcing the interconnection rates for 2015, maintained the varied interconnection rates due to our dominant market position.

	Rate per Minute		
Applicable Year	SK Telecom	KT	LG U+
2010	31.41	33.35	33.64
2011	30.50	31.75	31.93
2012	27.05	28.03	28.15
2013	26.27	26.98	27.04
2014	22.22	22.73	22.78
2015	19.53	19.92	19.96

Wireless-to-Wireless. The MIC implemented interconnection charges for calls between wireless telephone networks in Korea starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. The applicable interconnection rate is the same as the fixed-line-to-wireless interconnection rate set out in the table above.

Our revenues from the wireless-to-wireless charge were Won 651.2 billion in 2014, Won 641.2 billion in 2013 and Won 601.5 billion in 2012. Our expenses from these charges were Won 700.3 billion in 2014, Won 615.6 billion in 2013 and Won 639.8 billion in 2012. The charges above were agreed among the parties involved and confirmed by the KCC.

International Calls

With respect to international calls, if a call is initiated by our wireless subscribers, we bill the wireless subscriber for the international charges of KT, LG U+ or SK Broadband, and we receive interconnection charges from such operators. If an international call is received by our subscriber, KT, LG U+ or SK Broadband pays interconnection charges to us based on our imputed costs.

International Roaming Arrangements

To complement the services we provide to our subscribers in Korea, we offer international voice and data roaming services. We charge our subscribers usage fees for global roaming service and, in turn, pay foreign wireless network operators fees for the corresponding usage of their network. For a more detailed discussion of our global roaming services, see Our Services Cellular Voice Services above.

Marketing and Service Distribution

Marketing, Sales and Service Network

We market our services and provide after-sales service support to customers through approximately 20 marketing teams, 30 branch offices and a network of approximately 3,690 authorized exclusive dealers located throughout Korea. Our dealers are connected via computer to our database and are capable of assisting customers with account information. In addition, approximately 12,400 independent retailers assist new subscribers to complete activation formalities, including processing subscription applications.

Currently, authorized dealers are entitled to an initial commission for each new subscriber registered by the dealer, as well as an average ongoing commission calculated as a percentage of that subscriber s monthly plan-based rate for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to each authorized dealer an interest-free or low-interest loan of up to Won 4.0 billion with a repayment period of up to three years. As of December 31, 2014, we had an aggregate of Won 82.7 billion in loans to authorized dealers outstanding.

In April 2009, we established a wholly-owned subsidiary, PS&Marketing Co., Ltd. (PS&Marketing), with an investment of Won 150.0 billion to diversify our sales activities. PS&Marketing began operating 13 stores in May 2009. In April 2014, PS&Marketing acquired the retail distribution business of SK Networks and as of December 31, 2014, PS&Marketing had 560 stores nationwide with 2,357 employees. In addition, we established two wholly-owned subsidiaries, Service Ace Co., Ltd. and Service Top Co., Ltd., in June 2010, in order to provide customer service directly through our subsidiaries to enhance the quality of services compared to outsourcing.

In April 2010, our authorized dealers for wireless telecommunications services started to market SK Broadband s broadband Internet and fixed-line telephone services, which we believe has contributed to the increase in the number of broadband Internet and fixed-line telephone subscribers.

Over the last several years, competition in the wireless telecommunications business has caused us to significantly increase our marketing and advertising expenses. Between 2012 and 2014, marketing expenses as a percentage of SK Telecom s revenue, on a separate basis, fluctuated heavily between 23.9% to 33.7%, depending on the competitive landscape. However, we expect such percentage to stabilize due to the implementation of the MDDIA. Pursuant to the MDDIA, wireless telecommunications service providers are prohibited from unfairly providing discriminatory subsidies based on criteria such as type of subscription, subscription plan and characteristics of the subscriber and from providing subsidies exceeding a maximum limit established by the KCC (such limit to be determined between Won 250,000 and Won 350,000, which may be adjusted every six months, with the current limit set at Won 330,000, effective as of April 24, 2015) for the purchase of mobile phone models that were launched within the last 15 months, among other restrictions and requirements. For a more detailed discussion of the MDDIA, see Law and Regulation Competition Regulation Rate Regulation.

Marketing Strategies and Marketing Information Management

Information technology improvements. We have implemented certain information technology improvements in connection with marketing strategy, including customer management systems, as well as more effective information security controls. We believe these upgrades have enhanced our ability to process and utilize marketing- and subscriber-related data, which, in turn, has helped us to develop more effective and targeted marketing strategies.

We currently operate a customer information system designed to provide us with an extensive customer database. Our customer information system includes a billing system that provides us with comprehensive account information for internal purposes and enables us to efficiently respond to customer requests. Our customers can also change their service plans, verify the charges accrued on their accounts, receive their bills online and send text messages to our other subscribers through our website at www.tworld.co.kr.

T Membership. We strive to improve subscriber retention through our T Membership program, which is a membership service available to our wireless subscribers. Our T Membership program provides various membership benefits to its members such as discounts with our membership partners for dining, shopping, entertainment and travel, access to our online membership shopping mall and invitations to various promotional events. As of December 31, 2014, more than 10 million of our wireless subscribers joined our T Membership program. Although our competitors also have similar membership programs, we believe that our T Membership program has a competitive advantage over our competitors membership programs due to our large subscriber base and breadth of membership benefits. In addition, we expect that due to the limitations on subsidies pursuant to the MDDIA, the competitiveness of our T Membership program will play a greater role in enhancing the loyalty of our wireless subscribers.

T -brand Marketing Strategy. To increase brand awareness and promote our corporate image, in August 2006, we launched our T -brand marketing campaign. Our T brand signifies the centrality of Telecommunications and Technology to our business and also seeks to emphasize our commitment to providing Top quality, Trustworthy products and services to our customers. We are marketing all our products and services under the T brand.

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Other Investments and Relationships

We have investments in several other businesses and companies and have entered into various business arrangements with other companies. Our principal investments fall into the following categories:

SK Hynix

In February 2012, we acquired a 21.1% equity stake in SK Hynix, one of the world s largest memory-chip makers by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder. By investing in the export-driven semiconductor business, we aim to achieve a more diversified business portfolio, as well as seeking global growth opportunities utilizing SK Hynix s overseas network. SK Hynix designs, manufactures and sells advanced memory semiconductor products, including DRAM and NAND flash products, used in various electronic devices. SK Hynix operates four wafer fabrication facilities in Korea and China.

In 2014, 2013 and 2012, SK Hynix and its subsidiaries, on a consolidated basis, had revenues of Won 17,125.6 billion, Won 14,165.1 billion and Won 10,162.2 billion, respectively, profit before income tax of Won 5,047.7 billion and Won 3,074.9 billion and loss before income benefit of Won 199.3 billion, respectively, and profit for the year of Won 4,195.2 billion and Won 2,872.9 billion and loss for the year of Won 158.8 billion, respectively. As of December 31, 2014, 2013 and 2012, SK Hynix and its subsidiaries, on a consolidated basis, had total assets of Won 26,883.3 billion, Won 20,797.3 billion and Won 18,648.7 billion, respectively, and total equity of Won 18,036.3 billion, Won 13,066.9 billion and Won 9,739.4 billion, respectively.

KEBHana Card

In February 2010, we purchased shares newly issued by Hana SK Card Co., Ltd. (which was subsequently merged into KEB Card Co., Ltd. and renamed KEBHana Card Co., Ltd. (KEBHana Card) in November 2014), a credit card services provider, for a total purchase price of Won 400.0 billion. We currently hold 25.4% of the total outstanding shares of KEBHana Card. KEBHana Card offers certain credit card products that provide for discounts on some of our wireless network services and integrate T Membership benefits, among other features.

Other Investments

Our other investments include:

POSCO. We currently own a 1.42% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2014 of Won 341.8 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.

SKY Property Management. We currently own a 33.0% equity interest in SKY Property Management Ltd. (SKY Property Management), with a book value as of December 31, 2014 of Won 248.5 billion. SKY Property Management was established in 2008 to manage buildings and real estate developments in China, in which affiliated companies of the SK Group had invested or will invest.

For more information regarding our investment securities, see note 9 of the notes to our consolidated financial statements.

Competition

We were the only wireless telecommunications services provider in Korea prior to April 1996, when Shinsegi began offering its CDMA service. In 1996, the Government issued three additional licenses to KTF, LG Telecom and Hansol PCS to operate CDMA services. Each of KTF, LG Telecom and Hansol PCS commenced operation of its CDMA service in October 1997. Furthermore, in 2001, the Government awarded three companies the licenses to provide 3G wireless telecommunications services. In Korea, this 3G license is also known as the IMT-2000 license. IMT-2000 is the global standard for 3G wireless communications, as defined by the International Telecommunication Union, an organization established to standardize and regulate international radio and telecommunications. One of these licenses was awarded to our former subsidiary, SK IMT Co., Ltd., which was merged into us on May 1, 2003. The other two licenses were awarded to LG Telecom, and to consortia led by or associated with KT. In addition, our wireless voice businesses compete with Korea s fixed-line operators, and our wireless Internet businesses compete with providers of fixed-line data and Internet services.

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Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors. In 2000, KT acquired 47.9% of Hansol M.Com Co., Ltd. s outstanding shares and renamed the company KT M.Com Co., Ltd. (KT M.Com). KT M.Com merged into KTF in May 2001. In June 2009, KTF merged into KT, which had held a 54.25% interest in KTF before the merger. In addition, in January 2010, LG DACOM and LG Powercomm merged into LG Telecom, which subsequently changed its name to LG U+. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings.

Significant advances in technology are occurring that may affect our businesses, including the roll-out or the planned roll-out by us and our competitors of advanced high-speed wireless telecommunications networks based on technologies including CDMA, WCDMA, CDMA2000, WiBro and LTE.

As of December 31, 2014, according to the MSIP, KT and LG U+ had 17.3 million and 11.3 million subscribers, respectively, representing approximately 30.3% and 19.7%, respectively, of the total number of wireless subscribers in Korea on such date, each including the number of MVNO subscribers leasing its networks. As of December 31, 2014, we had 28.6 million subscribers, representing a market share of approximately 50.0%, including the number of MVNO subscribers leasing its networks. MVNOs leasing our networks had a total of 2.1 million subscribers, representing a market share of approximately 3.7%.

As of December 31, 2014, according to the MSIP, KT and LG U+ had 10.8 million and 8.5 million LTE subscribers, respectively, compared to our 16.7 million LTE subscribers.

For a description of the risks associated with the competitive environment in which we operate, see Item 3.D. Risk Factors Risks Relating to Our Business Competition may reduce our market share and harm our results of operations and financial condition.

Law and Regulation

Overview

Korea s telecommunications industry is subject to comprehensive regulation by the MSIP, which is responsible for information and telecommunications policies. The MSIP regulates and supervises a broad range of communications issues, including:

- entry into the telecommunications industry;
- scope of services provided by telecommunications service providers;
- allocation of radio spectrum;
- setting of technical standards and promotion of technical standardization;
- rates, terms and practices of telecommunications service providers;
- interconnection and revenue-sharing between telecommunications service providers;
- research and development budgeting and objectives of telecommunications service providers; and

competition among telecommunications service providers.

Pursuant to amendments to the Government Organization Act and the Act on the Establishment and Operation of Korea Communications Commission, both effective as of March 23, 2013, the MSIP was established. The MSIP is charged with regulating information and telecommunications, the function which was formerly performed by the KCC in the previous Government. The KCC, which had taken over the regulatory functions relating to information and telecommunications policies and radio and broadcasting management from the MIC in 2008, is currently charged with regulating the public interest aspects of and fairness in broadcasting. In this annual report, we refer to the MIC and the KCC as the relevant governmental authorities in connection with any approval granted or action taken by the MIC or the KCC, as applicable, prior to such amendments and to the MSIP or other relevant governmental authority in connection with any approval granted or to be granted or action taken or to be taken by the MSIP or such other relevant governmental authority subsequent to such amendments.

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Telecommunications service providers are currently classified into three categories: network service providers, value-added service providers, and specific service providers. We are classified as a network service provider because we provide telecommunications services with our own telecommunications networks and related facilities. As a network service provider, we are required to obtain a license from the MSIP for the services we provide. Our licenses permit us to provide cellular services, third generation wireless telecommunications services using WCDMA and WiBro technologies and fourth generation wireless telecommunications services using LTE technology. Our cellular license is valid until 2021 after a 10-year extension issued in June 2011, our IMT-2000 license is valid until 2016, our WiBro license is valid until 2019 after a 7-year extension issued in March 2012 and our LTE license is valid until December 2021.

The MSIP may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control and corrective orders issued in connection with any violation of rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MSIP may levy a monetary penalty of up to 3.0% of the average of our annual revenue for the preceding three fiscal years. A network service provider that wants to cease its business or dissolve must obtain MSIP approval.

In the past, the Government has stated that its policy was to promote competition in the Korean telecommunications market through measures designed to prevent the dominant service provider in any such market from exercising its market power in such a way as to prevent the emergence and development of viable competitors. While all network service providers are subject to MSIP regulation, we are subject to increased regulation because of our position as the dominant wireless telecommunications services provider in Korea.

Competition Regulation

The KCC is charged with ensuring that network service providers engage in fair competition and has broad powers to carry out this goal. If a network service provider is found to be in violation of the fair competition requirement, the KCC may take corrective measures it deems necessary, including, but not limited to, prohibiting further violations, requiring amendments to the articles of incorporation or to service contracts with customers, requiring the execution or performance of, or amendments to, interconnection agreements with other network service providers and prohibiting advertisements to solicit new subscribers. The KCC is required to consult with the Minister of the MSIP before it takes certain corrective measures.

In addition, we qualify as a market-dominating business entity under the Fair Trade Act. Accordingly, we are prohibited from engaging in any act of abusing our position as a market-dominating entity, such as unreasonably determining, maintaining or altering service rates, unreasonably controlling the rendering of services, unreasonably interfering with business activities of other business entities, hindering unfairly the entry of newcomers or substantially restricting competition to the detriment of the interests of consumers.

Because we are a member company of the SK Group, which is a large business group as designated by the FTC, we are subject to the following restrictions under the Fair Trade Act:

Restriction on debt guarantee among affiliates. Any affiliate within the SK Group may not guarantee the debts of another domestic affiliate, except for certain guarantees prescribed in the Fair Trade Act, such as those relating to the debts of a company acquired for purposes of industrial rationalization, bid deposits for overseas construction work or technology development funds.

Restriction on cross-investment. A member company of the SK Group may not acquire or hold shares in an affiliate belonging to the SK Group that owns shares in the member company.

Public notice of board resolution on large-scale transactions with specially related persons. If a member company of the SK Group engages in a transaction with a specially related person in the amount of 5.0% or more of the member company s capital or paid-in capital or for Won 5.0 billion or more, the transaction must be approved by a resolution of the member company s board of directors and the member company must publicly disclose the transaction.

Restrictions on investments by subsidiaries and sub-subsidiaries of holding companies. The Fair Trade Act prohibits subsidiaries of holding companies from investing in, or holding shares of common stock of,

domestic affiliates that belong to the same large business group, unless such domestic affiliates are their own subsidiaries. Furthermore, any subsidiaries of a holding company s subsidiaries (sub-subsidiaries) are prohibited from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless all shares issued by the affiliates are held by the sub-subsidiary. Therefore, we and other subsidiaries of SK Holdings may not invest in any domestic affiliate that is also a member company of the SK Group, except in the case where we invest in our own subsidiary or where another subsidiary of SK Holdings invests in its own subsidiary.

Public notice of the current status of a business group. Under the Fair Trade Act and the Enforcement Decree thereof, a member company of the SK Group must publicly disclose the general status of the SK Group, including the name, business scope and financial status of affiliates, information on the officers of affiliates, information on shareholding and cross-investments between member companies of the SK Group, information on transactions with certain related persons and, if a member company engages in a transaction with an affiliated company in the amount of 5.0% or more of the member company s quarterly sales or Won 5.0 billion or more, information on transactions with such affiliated company on a quarterly basis.

Number Portability. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless telecommunications service providers while retaining the same mobile phone number. For details of the number of subscribers who transferred to the services of our competitors following the implementation of the number portability system, see Subscribers.

In addition, the Government has been integrating mobile telephone identification numbers into a common prefix identification number 010 and gradually retracting the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services, since January 1, 2004. All new subscribers have been given the 010 prefix starting January 2004. As the next step in the 010 integration process, the mobile telephone number prefix for all 3G and LTE service users has been changed to 010 as of January 1, 2014. The MSIP plans to complete the integration process by around 2018, when all mobile telephone numbers would have the prefix identification number 010.

For risks relating to number portability, see Item 3.D. Risk Factors Risks Relating to Our Business Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows.

Rate Regulation. Most network service providers must report to the MSIP the rates and contractual terms for each type of service they provide. However, as the dominant network service provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of the MSIP on our rates and terms of service; provided, however, that such pre-approval of the MSIP is not required, if we are planning to reduce the rates for any type of services that we provide under the MSIP-approved contractual terms. In each of the previous years in which this requirement has been applicable, the KCC designated us for wireless telecommunications service, and KT for local telephone and Internet services, as dominant network service providers that are subject to such approval requirement. The KCC s policy was to approve rates if they are appropriate, fair and reasonable (that is, if the rates have been reasonably calculated, considering supply costs, profits, classification of costs and profits for each service, cost savings through changes in the way services are provided and the influence on fair competition, among others). The MSIP takes a similar approach in regulating the rates. The MSIP may order changes in the submitted rates if it deems the rates to be significantly unreasonable or against public policy.

Furthermore, in 2007, the Government announced a road map highlighting revisions in regulations to promote deregulation of the telecommunications industry. In accordance with the road map and pursuant to the Combined Sales Regulation, promulgated in May 2007, telecommunications service providers are now permitted to bundle their services, such as wireless data transmission service, wireless voice transmission service, broadband Internet access service, fixed-line telephone service and IP TV service, at a discounted rate; provided, however, that we and KT, as market-dominating business entities under the Telecommunications Business Act, allow other competitors to employ the services provided by us and KT, respectively, so that such competitors can provide similar discounted package

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services. In September 2007, the regulations and provisions under the Telecommunications Business Act were amended to permit licensed transmission service providers to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses.

Moreover, under the amended Telecommunications Business Act, which became effective on September 23, 2010, an MVNO system was adopted for a duration of three years until September 22, 2013. The expiration date of the system was extended to September 22, 2016 under the amended Telecommunications Business Act, which became effective on August 13, 2013. Under this system, the MSIP may designate and obligate certain wireless telecommunications services providers to allow an MVNO, at such MVNO s request, to use their telecommunication network facilities at a rate mutually agreed upon that complies with the standards set by the MSIP. We were designated as the only wireless telecommunications services provider obligated to allow the other wireless telecommunications services provider to use our telecommunications network facilities. To date, ten MVNOs have commenced providing wireless telecommunications services using the networks leased from us.

On October 1, 2014, the MDDIA, enacted for the purpose of establishing a transparent and fair mobile distribution practice, became effective. The MDDIA limits the amount of subsidies a wireless telecommunications service provider can provide to subscribers in order to prevent excessive competition among wireless telecommunications service providers. Pursuant to the MDDIA, wireless telecommunications service providers are prohibited from (i) unfairly providing discriminatory subsidies based on criteria such as type of subscription, subscription plan and characteristics of the subscriber, (ii) providing subsidies exceeding a maximum limit established by the KCC (such limit to be determined between Won 250,000 and Won 350,000, which may be adjusted every six months, with the current limit set at Won 330,000, effective as of April 24, 2015) for the purchase of mobile phone models that were launched within the last 15 months, and (iii) entering into a separate agreement with subscribers imposing obligations to use a specific subscription plan as a condition for providing subsidies. In addition, under the MDDIA, wireless telecommunications service providers are obliged to provide benefits, such as discounted rates, to subscribers who subscribe to the service without receiving subsidies, in an amount corresponding to such subsidies.

Interconnection. Dominant network service providers such as ourselves that own essential infrastructure facilities or possess a certain market share are required to provide interconnection of their telecommunications network facilities to other service providers upon request. The MSIP sets and announces the standards for determining the scope, procedures, compensation and other terms and conditions of such provision, interconnection or co-use. We have entered into interconnection agreements with KT, LG U+, Onse Telecom Corporation and other network service providers permitting these entities to interconnect with our network. We expect that we will be required to enter into additional agreements with new operators as the MSIP grants permits to additional telecommunications service providers.

Frequency Allocation. The MSIP has the discretion to allocate and adjust the frequency band for each type of service and may auction off the rights to certain frequency bands. Upon allocation of new frequency bands or adjustment of frequency bands, the MSIP is required to give a public notice. The MSIP also regulates the frequency to be used by each radio station, including the transmission frequency used by equipment in our cell sites. All of our frequency allocations are for a definite term. We pay fees to the MSIP for our frequency usage that are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2014, 2013 and 2012, the fee amounted to Won 188.1 billion, Won 206.5 billion and Won 204.2 billion, respectively.

We currently use 10 MHz of bandwidth in the 800 MHz spectrum for our CDMA services, 40 MHz of bandwidth in the 2.1 GHz spectrum for our WCDMA services, 20 MHz of bandwidth in the 2.1 GHz spectrum, 20 MHz of bandwidth in the 800 MHz spectrum and 35 MHz of bandwidth in the 1.8 GHz spectrum for our LTE services, as well as 27 MHz of spectrum in the 2.3 GHz band for our WiBro services. For more information regarding the license fees for the various bandwidths that we use, see Item 5.B. Liquidity and Capital Resources Capital Requirements Capital Expenditures and note 17 of the notes to our consolidated financial statements.

For risks relating to the maintenance of adequate bandwidth capacity, see Item 3.D. Risk Factors Risks Relating to Ours Business Our business and results of operations may be adversely affected if we fail to acquire adequate additional spectrum or use our bandwidth efficiently to accommodate subscriber growth and subscriber usage.

Mandatory Contributions and Obligations

Universal Service Obligation. All telecommunications service providers other than value-added service providers, specific service providers and regional paging service providers or any telecommunications service providers whose net annual revenue is less than an amount determined by the MSIP (currently set at Won 30.0 billion) are required to provide universal telecommunications services including local telephone services, local public telephone services, telecommunications services for remote islands and wireless communication services for ships and telephone services for handicapped and low-income citizens, or contribute toward the supply of such universal services. The MSIP designates universal services and the service provider who is required to provide each service. Currently, under the MSIP guidelines, we are required to offer free subscription and a discount of between 35.0% to 50.0% of our monthly fee for wireless telecommunications services to handicapped and low-income citizens.

In addition to such universal services for handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers costs for the universal services. The size of a service provider s contribution is based on its net annual revenue (calculated pursuant to the MSIP guidelines, which differ from our accounting practices). In 2014, our contribution amount was Won 21.8 billion for our fiscal year 2013. In 2013, our contribution amount was Won 19.2 billion for our fiscal year 2012. In 2012, our contribution amount was Won 20.2 billion for our fiscal year 2011. As a wireless telecommunications services provider, we are not considered a provider of universal telecommunications services and do not receive funds for providing universal service. Other network service providers that do provide universal services make all or a portion of their contribution in the form of expenses related to the universal services they provide.

Foreign Ownership and Investment Restrictions and Requirements

Because we are a network service provider, and the exception for the foreign shareholding limit under the amended Telecommunications Business Act, which became effective on August 13, 2013, does not apply to us, foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) are prohibited from owning more than 49.0% of our voting stock. Korean entities whose largest shareholder is a foreign government or a foreigner (together with any of its related parties) that owns 15.0% or more of the outstanding voting stock of such Korean entities are also deemed foreigners. If this 49.0% ownership limitation is violated, certain of our foreign shareholders will not be permitted to exercise voting rights in excess of the limitation, and the MSIP may require other corrective action.

As of December 31, 2014, SK Holdings owned 20,363,452 shares of our common stock, or approximately 25.22% of our issued shares. As of December 31, 2014, a foreign investment fund and its related parties collectively held a 1.1% stake in SK Holdings. If the foreign investment fund and its related parties increase their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Holdings, SK Holdings will be considered a foreign shareholder, and its shareholding in us would be included in the calculation of our aggregate foreign shareholding. If SK Holdings shareholding in us is included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming the foreign ownership level as of December 31, 2014 (which we believe was 43.47%), would reach 68.69%, exceeding the 49.0% ceiling on foreign shareholding.

If our aggregate foreign shareholding limit is exceeded, the MSIP may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and the foreign investment fund and its related parties who own in the aggregate 15.0% or more of SK Holdings. Furthermore, SK Holdings will be prohibited from exercising its voting rights with respect to the shares held in excess of the 49.0% ceiling, which may result in a change in control of us. In addition, the MSIP will be prohibited from granting us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49.0%. If a corrective order is issued to us by the MSIP arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the MSIP may:

- revoke our business license;
- suspend all or part of our business; or

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if the suspension of business is deemed to result in significant inconvenience to our customers or to be detrimental to the public interest, impose a one-time administrative penalty of up to 3.0% of the average of our annual revenue for the preceding three fiscal years.

Additionally, the Telecommunications Business Act also authorizes the MSIP to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year or a penalty of Won 50 million. See Item 3.D. Risk Factors Risks Relating to Securities If SK Holdings causes us to breach the foreign ownership limitations on our common shares, we may experience a change of control.

We are required under the Foreign Exchange Transaction Act to file a report with a designated foreign exchange bank or with the Ministry of Strategy and Finance (the MOSF), in connection with any issue of foreign currency denominated securities by us in foreign countries. Issuances of US$30 million or less require the filing of a report with a designated foreign exchange bank, and issuances that are over US$30 million in the aggregate within one year from the filing of a report with a designated foreign exchange bank require the filing of a report with the MOSF.

The Telecommunications Business Act provides for the creation of a Public Interest Review Committee under the MSIP to review investments in or changes in the control of network service providers. The following events would be subject to review by the Public Interest Review Committee:

- the acquisition by an entity (and its related parties) of 15.0% or more of the equity of a network service provider;

- a change in the largest shareholder of a network service provider;

- agreements by a network service provider or its shareholders with foreign governments or parties regarding important business matters of such network service provider, such as the appointment of officers and directors and transfer of businesses; and

- a change in the shareholder that actually controls a network service provider.

If the Public Interest Review Committee determines that any of the foregoing transactions or events would be detrimental to the public interest, then the MSIP may issue orders to stop the transaction, amend any agreements, suspend voting rights, or divest the shares of the relevant network service provider. Additionally, if a dominant network service provider (which would currently include us and KT), together with its specially related persons (as defined under the FSCMA), holds more than 5.0% of the equity of another dominant network service provider, the voting rights on the shares held in excess of the 5.0% limit may not be exercised.

Patents and Licensed Technology

Access to the latest relevant technology is critical to our ability to offer the most advanced wireless telecommunications services and to design and manufacture competitive products. In addition to active internal and external research and development efforts as described in Item 5.C. Research and Development, Patents and Licenses, etc., our success depends in part on our ability to obtain patents, licenses and other intellectual property rights covering our products. We own numerous patents and trademarks worldwide, and have applications for patents pending in many countries, including Korea, Japan, China and the United States and in Europe. Our patents are mainly related to LTE technology and wireless Internet applications. We have also acquired a number of patents related to WCDMA and CDMA technologies. There are no licensed patents that are material to our business.

We are not currently involved in any material litigation regarding patent infringement. For a description of the risks associated with our reliance on intellectual property, see Item 3.D. Risk Factors Risks Relating to Our Business Our business relies on technology developed by us, and our business will suffer if we are unable to protect our proprietary rights.

Seasonality of the Business

Our business is not affected by seasonality.

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Item 4.C. ***Organizational Structure***
Organizational Structure

We are a member of the SK Group, based on the definition of group under the Fair Trade Act. As of December 31, 2014, SK Group members owned in aggregate 25.22% of the shares of our issued common stock. The SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries.

Significant Subsidiaries

For information regarding our subsidiaries, see note 1(2) of the notes to our consolidated financial statements.

Item 4.D. ***Property, Plants and Equipment***
The following table sets forth certain information concerning our principal properties as of December 31, 2014:

Location	Primary Use	Approximate Area in Square Feet
Seoul Metropolitan Area	Corporate Headquarters	988,447
	Regional Headquarters	607,249
	Customer Service Centers	107,277
	Training Centers	616,845
	Central Research and Development Center	482,719
	Others(1)	962,781
Busan	Regional Headquarters	363,282
	Others(1)	637,960
Daegu	Regional Headquarters	148,065
	Others(1)	232,375
Jeolla and Jeju Provinces	Regional Headquarters	265,614
	Others(1)	690,313
Chungcheong Province	Regional Headquarters	459,302
	Others(1)	784,438

(1) Includes cell sites.
In December 2004, we constructed a building with an area of approximately 82,624 square feet, of which we have full ownership, for use as our corporate headquarters. In addition, we own or lease various locations for cell sites and switching equipment. We do not anticipate that we will encounter material difficulties in meeting our future needs for any existing or prospective leased space for our cell sites. See Item 4.B. Business Overview Digital Wireless Network Network Infrastructure.

We maintain a range of insurance policies to cover our assets and employees, including our directors and officers. We are insured against business interruption, fire, lightening, flooding, theft, vandalism, public liability and certain other risks that may affect our assets and employees. We believe that the types and amounts of our insurance coverage are in accordance with general business practices in Korea.

Item 4A. ***UNRESOLVED STAFF COMMENTS***
We do not have any unresolved comments from the SEC staff regarding our periodic reports under the Exchange Act.

Item 5. ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS***

You should read the following discussion together with our consolidated financial statements and the related notes thereto which appear elsewhere in this annual report. We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. In addition, you should read carefully the section titled Critical Accounting Policies, Estimates and Judgments as well as note 4 of the notes to our consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial conditions and results of operations.

Item 5.A. Operating Results
Overview

We earn revenue principally from monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services and value-added service fees paid by subscribers to our wireless telecommunications services, as well as interconnection fees paid to us by other telecommunications operators for use of our network by their customers and subscribers. Our revenue amount depends principally upon the number of our wireless subscribers, the rates we charge for our services, the frequency and volume of subscriber usage of our services and the terms of our interconnection with other telecommunications operators. We also derive revenue from businesses operated by our consolidated subsidiaries, including broadband Internet (including IP TV services) and fixed-line telephone services offered by SK Broadband, various platform businesses conducted by SK Planet and handset sales made by PS&Marketing. Government regulation also affects our revenues.

Our operations are reported in three segments: (1) cellular services, which include cellular voice service, wireless data service and wireless Internet services, (2) fixed-line telecommunication services, which include fixed-line telephone services, broadband Internet services (including IP TV services) and leased line services and (3) others, which include our Internet portal services, online shopping services and other platform services and other operations that do not meet the quantitative thresholds to be separately considered reportable segments.

Among other factors, management uses operating income of each reportable segment presented in accordance with K-IFRS (segment operating income) in its assessment of the profitability of each reportable segment. The sum of segment operating income for all three reportable segments differs from our operating income presented in accordance with IFRS by IASB as segment operating income does not include certain items such as gain and loss from disposal of property and equipment and intangible assets and impairment loss on property and equipment and intangible assets. For a reconciliation of operating income presented in accordance with IFRS by IASB and operating income presented in accordance with K-IFRS, see Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS.

In addition to the information set forth below, see note 5 of the notes to our consolidated financial statements for more detailed information regarding each of our reportable segments.

A number of recent developments have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These developments include:

New Regulations Relating to Handset Subsidies. We provide handset subsidies to subscribers who agree to use our service for a predetermined service period and purchase handsets on an installment basis. Generally, handset subsidies may be provided to any subscriber that uses our service and purchases handsets either directly from us or through third parties. Prior to the implementation of the MDDIA, there was intense competition among wireless telecommunications service providers to acquire subscribers by providing higher subsidies. In October 2014, the Government started limiting the amount of subsidies a wireless telecommunications service provider can provide to subscribers in order to prevent excessive competition among wireless telecommunications service providers under the MDDIA. Pursuant to the MDDIA, wireless telecommunications service providers are prohibited from (i) unfairly providing discriminatory subsidies based on criteria such as type of subscription, subscription plan and characteristics of the subscriber, (ii) providing subsidies exceeding a maximum limit established by the KCC (such limit to be determined between Won 250,000 and Won 350,000, which may be adjusted every six months, with the current limit set at Won 330,000, effective as of April 24, 2015) for the purchase of mobile phone models that were launched within the last 15 months, and (iii) entering into a separate agreement with subscribers imposing obligations to use a specific subscription plan as a condition for providing subsidies. In addition, under the MDDIA, wireless telecommunications service providers are obliged to provide certain benefits, such as discounted rates, to subscribers who subscribe to their service without receiving subsidies, in an amount corresponding to such subsidies.

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It is difficult to estimate the impact such Government regulations will have on our results of operations as we believe the imposition of such regulations may affect the cellular telecommunications industry in various ways that we cannot fully predict. We believe that handset subsidies will not increase to the extent they did in the past when wireless telecommunications service providers were engaged in intense competition to acquire new subscribers as the MDDIA imposes a maximum limit on handset subsidies. However, as we provided lower subsidies to existing subscribers who purchased new handsets than to new subscribers that switched wireless telecommunications service providers in the past but under the MDDIA, we are required to provide the same level of subsidies to both types of subscribers, if the number of existing subscribers who purchase new handsets increases, our marketing expenses may increase. Failure to comply with the MDDIA may lead to suspension of our business or imposition of monetary penalties. For more information about the MDDIA and the penalties imposed for violating Government regulations, see Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation and Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC, KCC and MSIP Proceedings.

Abolishment of Initial Subscription Fees. Upon recommendation by the MSIP, we, KT and LG U+ agreed to gradually reduce initial subscription fees charged to new customers and in August 2013, reduced the initial subscription fee by 40% and again by an additional 50% in August 2014. Starting in November 2014, we ceased charging any initial subscription fees to new customers. The gradual reduction and ultimate abolishment of initial subscription fees adversely impacted our wireless service revenue in 2014 compared to 2013 and may continue to have a material impact on our results of operations in 2015. For more information about the rates we charge, see Item 4.B. Business Overview Revenues and Rates and Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation.

Decrease in Interconnection Fees. Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The MSIP determines the basic framework for interconnection arrangements, including policies relating to interconnection rates in Korea. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. The MSIP has continued to gradually decrease the interconnection rates in Korea, which has led to a continued decrease in our interconnection revenue as well as interconnection expenses from 2012 to 2014 and any further reduction in interconnection rates by the MSIP may continue to impact our results of operations. For more information about our interconnection revenue and expenses, see Item 4.B. Business Overview Interconnection.

Increase in Average Monthly Revenue per Subscriber. The total average monthly revenue per subscriber is derived by dividing the sum of total SK Telecom and SK Planet revenues from voice service, data service, initial subscription fees and interconnection revenue, as well as other revenues, for the period by the monthly average number of subscribers (including the number of MVNO subscribers leasing our networks) for the period, then dividing that number by the number of months in the period. Our total average monthly revenue per subscriber increased by 4.1% to Won 44,123 in 2014 from Won 42,377 and increased by 5.6% in 2013 from Won 40,128 in 2012. The increases in total average monthly revenue per subscriber in 2014 and 2013 were primarily due to increases in LTE subscribers who subscribe to data plans with higher monthly basic charges than our other wireless telecommunications services and data service usage attributable to increases in the number of smartphone users. However, the decrease in the growth rate of our total average monthly revenue per subscriber to 4.1% in 2014 from 5.6% in 2013 is attributable to the higher relative increase in LTE subscribers that subscribe to fixed-rate plans with lower monthly fees compared to those that subscribe to fixed-rate plans with higher monthly fees in connection with the continual migration of wireless subscribers with low data usage (unlike early LTE adopters that generally have high data usage) to LTE services.

Acquisition of SK Hynix Shares. In February 2012, we acquired a 21.05% equity stake in SK Hynix, one of the world s largest memory chip makers by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder. As of December 31, 2014, we held a 20.1% equity stake in SK Hynix. SK Hynix s profit for the year was Won 4,195.2 billion in 2014 and Won 2,872.9 billion in 2013 and

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recorded a loss for the year of Won 158.8 billion in 2012. Our investment in SK Hynix is accounted for using the equity method and the results of SK Hynix s performance is reflected in our operating results as gains (loss) related to investments in subsidiaries and associates.

Acquisition of SK Networks Retail Distribution Business. In April 2014, PS&Marketing acquired the retail distribution business of SK Networks. As a result of such acquisition, there was an increase in digital handset sales in 2014 compared to 2013 as well as an increase in various related operating expenses, including cost of products that have been resold and labor costs.

Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS

In addition to preparing consolidated financial statements in accordance with IFRS as issued by the IASB included in this annual report, we also prepare financial statements in accordance with K-IFRS as adopted by the KASB, which we are required to file with the FSC and the Korea Exchange under the FSCMA.

Beginning with our financial statements prepared in accordance with K-IFRS as of and for the year ended December 31, 2012, we are required to adopt certain amendments to K-IFRS No. 1001, Presentation of Financial Statements, as adopted by KASB in 2012. The amendments require operating income, which is calculated as operating revenue less operating expense, to be separately presented on the consolidated statement of income. Operating expense represents expenses incurred in our main operating activities and includes cost of products that have been resold and selling, general and administrative expenses. Accordingly, beginning with our consolidated statements of income prepared in accordance with K-IFRS for the year ended December 31, 2012, we present operating income in accordance with the amended K-IFRS No. 1001, Presentation of Financial Statements. Prior to the adoption of the amendments to K-IFRS No. 1001, Presentation of Financial Statements, the operating income we presented in our consolidated statements of income prepared in accordance with K-IFRS took into account certain other operating revenue and other operating expenses that are no longer included in the calculation of operating income pursuant to these amendments.

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In our consolidated statements of income prepared in accordance with IFRS as issued by the IASB included in this annual report, such changes in presentation were not adopted. As a result, the presentation of operating income in our consolidated statements of income prepared in accordance with IFRS as issued by the IASB included in this annual report differs from the presentation of operating income in the consolidated statements of income prepared in accordance with K-IFRS for the corresponding periods. The table below sets forth a reconciliation of our operating income as presented in our consolidated statements of income prepared in accordance with IFRS as issued by the IASB for the years ended December 31, 2014, 2013 and 2012 to the operating income as presented in the consolidated statements of income prepared in accordance with K-IFRS after giving effect to the amendments to K-IFRS No. 1001, Presentation of Financial Statements, for each of the corresponding years.

	For the Year Ended December 31,		
	2014	**2013**	**2012**
		(In billions of Won)	
Operating income pursuant to IFRS by IASB	1,607.9	1,578.4	1,737.7
Differences:			
Other income pursuant to IFRS			
Fee revenues	(8.2)	(7.3)	(4.0)
Gain on disposal of property and equipment and intangible assets	(8.8)	(8.0)	(162.6)
Others	(39.5)	(59.7)	(35.3)
	(56.5)	(75.0)	(201.8)
Other operating expenses pursuant to IFRS that are classified as other non-operating expenses pursuant to K-IFRS			
Loss on impairment of property and equipment and intangible assets	47.5	13.8	37.0
Loss on disposal of property and equipment and intangible assets	33.0	267.5	15.1
Donations	67.8	82.1	81.3
Bad debt for accounts receivable other	17.9	22.2	30.1
Others	107.5	122.2	30.7