

SK TELECOM CO LTD  
Form 6-K  
September 15, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE MONTH OF SEPTEMBER 2014**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

(Translation of registrant's name into English)

Euljiro65(Euljiro2-ga), Jung-gu

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Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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

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

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SEMI-ANNUAL BUSINESS REPORT

(From January 1, 2014 to June 30, 2014)

THIS IS A SUMMARY OF THE SEMI-ANNUAL BUSINESS REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SERVICES COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

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

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

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

Starting in the first quarter of 2011, the Company prepares and reports its financial statements under K-IFRS. The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's semi-annual business report for the six months ended June 30, 2014 includes the following consolidated subsidiaries:

<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2013 (millions of Won)</b>	<b>Material Subsidiary*</b>
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	252,475	Material
M&Service Co., Ltd.	Feb. 10, 2000	Online information services	68,587	Material
SK Communications Co., Ltd.	Sep. 19, 1996	Internet portal and other Internet information services	205,792	Material
Stonebridge Cinema Fund	Sep. 30, 2005	Investment partnership	11,974	
Commerce Planet Co., Ltd.	Jul. 1, 1997	Online shopping mall operation services	26,237	
SK Broadband Co., Ltd.	Sep. 26, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,044,349	Material
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	16,181	
Hwaitec Focus Investment Partnership 2	Dec. 12, 2008	Investment partnership	21,446	
Open Innovation Fund	Dec. 22, 2008	Investment partnership	27,996	
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	277,300	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	56,276	Material
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	48,369	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	56,677	Material
BNCP Co., Ltd.	Dec. 7, 2009	Internet services	12,108	
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	2,528,054	Material
SK Planet Japan, K.K.	Mar. 14, 2012	Digital contents sourcing services	1,793	
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	697	
SK Planet America LLC	Jan. 27, 2012	Digital contents sourcing services	22,399	
SKP Global Holdings PTE, LTD.	Aug. 10, 2012	Holding company for overseas commerce	20,713	
SK Global Healthcare Business Group, Ltd.	Sep. 14, 2012	Investment	27,625	
Technology Innovation Partners, L.P.	Jun. 24, 2011	Investment	23,759	
SK Telecom China Fund I L.P.	Sep. 14, 2011	Investment	3,166	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment	36,261	
Shenzhen E-eye High Tech Co., Ltd.	Apr. 1, 2000	Telematics manufacturing	17,894	

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Name	Date of Establishment	Principal Business	Total Assets as of Dec. 31, 2013 (millions of Won)	Material Subsidiary*
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	11,773	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	33,876	
YTK Investment Ltd.	Jul. 1, 2010	Investment	42,118	
Atlas Investment	Jun. 24, 2011	Investment	40,218	
NEOS Networks Co., Ltd.	Jun. 12, 2008	Security system services	14,202	

\* Material Subsidiary means a subsidiary with total assets of Won 50 billion or more as of the end of the latest fiscal year.

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services has increased. Having reached one million subscribers by January 2012 and over 10 million subscribers by April 2013, the Company has solidified its leadership position in LTE services as it has done with its 3G services. In June 2013, the Company became the first telecommunications service provider in the world to provide commercial LTE-Advanced ( LTE-A ) services using carrier aggregation technology, and in June 2014, the Company reaffirmed the Company's technological leadership by becoming the first to provide commercial 225 Mbps wideband LTE-A services, which is three times faster than LTE. In line with such efforts, the Company set forth its vision under the name of ICTnomics which is derived from the meaning of information and communication technology ( ICT ), and launched unlimited LTE data plans and other innovative data plans such as Rush hour / Subway Free plans that are unlimited data plans based on time, place and occasion (or, TPO). The Company plans to increase profitability by transforming into a telecommunications company fit for the age of big data and strengthening its fundamental competitive edges. By pioneering services that provide differentiated customer experience, including the T-Phone, the Company expects to become a leader in ICT.

In the business-to-business area, the Company is strengthening its solutions business through the implementation of five main solution products: Smart Store, Smart Work, Smart Cloud, Green & Safety and M Ad & Payment. Since the commercial launch of its mobile IPTV services, B tv Mobile, in October 2012, the Company has gained over one million paying subscribers as of March 2014. The Company is the first telecommunications services provider in the world to provide full high definition streaming services using its LTE-A network. With increasing video on demand usage and the potential to expand into other business areas such as advertising and shopping, the Company expects that the mobile IPTV services business will grow in the mid- to long-term. The Company also plans to create and fortify new businesses including health care, and seek out new growth engines in existing businesses, including the intelligence business, by utilizing its technologies relating to big data.

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

### (2) Fixed-line business

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

### (3) Other businesses

With respect to the Company's e-commerce business, 11th Street, a platform service that connects various sellers and purchasers online, continues to gain market share. In the commerce platform business area, the Company, utilizing the existing network of partner businesses of OK Cashbag, Korea's largest loyalty mileage program with 37 million members, consumer information from big data, information technology, and other sources of competitive edges that can lead the industry, launched Syrup to provide smart shopping services to consumers and Syrup Store to provide integrated marketing solutions to partner businesses in June 2014. Syrup, a mobile wallet service upgraded and rebranded from the Smart Wallet, reached 11.7 million users as of June 30, 2014 and leads the online-to-offline commerce. In the location-based services business area, users of the Company's T-Map Navigation service reached 19.2 million as of June 30, 2014. T-Map Navigation provides real time traffic information and various local information. Utilizing location-based service technology in other services, including leisure, logistics and travel services, the Company provides increased convenience and added value to customers. In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, T Store, which had 22.7 million subscribers as of June 30, 2014 and which the Company plans to expand. In the media business area, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services to substantively help businesses increase their value in a rapidly evolving business environment. Through M&Service Co., Ltd. ( M&Service ), one of its subsidiaries, the Company also develops, supplies and provides technical support for system software relating to commerce platforms, and provides other online information services.

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

See II-1. Business Overview for more information.

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## E. Credit Ratings

## (1) Corporate bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
June 21, 2012	Corporate bond	AAA	Korea Ratings	Regular rating
June 22, 2012	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 29, 2012	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
August 10, 2012	Corporate bond	AAA	Korea Ratings	Current rating
August 14, 2012	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
August 14, 2012	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Current rating
April 11, 2013	Corporate bond	AAA	Korea Ratings	Current rating
April 11, 2013	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 11, 2013	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Current rating
April 11, 2013	Corporate bond	AAA	Korea Ratings	Regular rating
April 11, 2013	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 11, 2013	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Ratings	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Ratings	Current rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating

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

## (2) Commercial paper ( CP )

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
June 21, 2012	CP	A1	Korea Ratings	Current rating
June 22, 2012	CP	A1	Korea Investors Service, Inc.	Current rating
June 29, 2012	CP	A1	NICE Investors Service Co., Ltd.	Current rating
December 14, 2012	CP	A1	Korea Investors Service, Inc.	Regular rating
December 18, 2012	CP	A1	Korea Ratings	Regular rating
December 18, 2012	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
April 11, 2013	CP	A1	Korea Ratings	Current rating
April 11, 2013	CP	A1	Korea Investors Service, Inc.	Current rating
April 11, 2013	CP	A1	NICE Investors Service Co., Ltd.	Current rating
November 29, 2013	CP	A1	Korea Ratings	Regular rating
December 18, 2013	CP	A1	Korea Investors Service, Inc.	Regular rating
December 20, 2013	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	CP	A1	Korea Ratings	Current rating
April 22, 2014	CP	A1	Korea Investors Service, Inc.	Current rating
April 22, 2014	CP	A1	NICE Investors Service Co., Ltd.	Current rating

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





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## (3) International credit ratings

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

**2. Company History**

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

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

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

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

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

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

**A. Location of Headquarters**

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

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

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

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

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

**B. Significant Changes in Management**

At the Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Company's board of directors to transfer to an affiliate of the Company. At the 28th General Meeting of Shareholders held on March 23, 2012, (1) Young Tae Kim and Dong Seob Jee were elected as inside directors, (2) Hyun Chin Lim was re-elected as an independent director, and (3) Hyun Chin Lim was re-elected as a member of the audit committee of the Company's board of directors. At the 29th General Meeting of Shareholders held on March 22, 2013, Dae Sik Cho was elected as an inside director and Dae Shick Oh was elected as an independent director and member of the audit committee of the Company's board of directors. At the 30th General Meeting of Shareholders held on March 21, 2014, Jae Hoon Lee was elected as an independent director and Jae Hyeon Ahn was elected as an independent director and member of the audit committee of the Company's board of directors.



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## C. Change in Company Name

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

## D. Mergers, Acquisitions and Restructuring

[SK Telecom]

## (1) Spin-off

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

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

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

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

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

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

Changes in shareholding, including majority shareholder

Not applicable because the spin-off is a simple vertical spin-off.

Appraisal rights of shareholders

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Not applicable because the spin-off is a simple vertical spin-off.

Protection of creditors

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

Allocation of new shares

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

(2) Acquisition of shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.)

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

(3) Merger of SK Planet and SK Marketing & Company Co., Ltd.

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

(4) Acquisition of shares of PS&Marketing

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

(5) Disposition of shares of iHQ Inc.

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

[SK Broadband]

(1) Merger

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

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

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



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### [SK Planet]

#### (1) Merger

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

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

### [SK Telink]

#### (1) Merger

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

### [SK Communications]

#### (1) Disposition and acquisition of businesses

##### 1. Disposition of publishing business division

On April 10, 2009, SK Communications sold its publishing business division to Etoos for Won 4,785 million in accordance with the resolution of its board of directors of March 5, 2009.

##### 2. Acquisition of the KUKU division

On July 1, 2009, SK Communications purchased the KUKU division from SK I-Media Co., Ltd. for a purchase price of Won 1,157 million, in accordance with the June 25, 2009 resolution of its board of directors.

##### 3. Disposition of the Spicus division

Pursuant to the July 23, 2009 resolution of its board of directors, SK Communications sold the Spicus division, its telephone English education division, to Spicus Inc., a subsidiary of Altos Ventures on August 1, 2009 for a purchase price of Won 1,493 million.

##### 4. Disposition of the Cyworld service

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

#### (2) Disposition of shares

##### 1. Disposition of shares of Etoos

SK Communications sold all of its shares in Etoos to Cheong Sol pursuant to a resolution of its board of directors of October 19, 2009 and, as consideration, received Won 50 billion principal amount of convertible bonds. Pursuant to a resolution of its board of directors of July 23, 2010, SK Communications converted Won 25 billion principal amount, out of a total of Won 50 billion principal amount, of convertible bonds of Etoos into 701,000 shares of Etoos (15.58%). Pursuant to a resolution of its board of directors of January 13, 2012, SK Communications sold Won 20 billion principal amount, out of the remaining Won 25 billion principal amount, of convertible bonds of Etoos Education Co., Ltd. to

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Shinhan Private Equity Fund No. 2 at a price of Won 19 billion.



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### 2. Disposition of shares of SK i-Media

Pursuant to a resolution of its board of directors of October 17, 2011, SK Communications sold all shares of SK i-Media Co., Ltd. held by it to LK Media Tech Co., Ltd. at a price of Won 1 million.

### 3. Disposition of shares of U-Land, an overseas entity

Pursuant to a resolution of its board of directors of December 21, 2011, SK Communications sold all of its 29.85% interest in U-Land, an overseas entity, to SK Planet at a price of Won 10 million.

### 4. Disposition of shares of Service-In

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

#### [PS&Marketing]

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

#### [M&Service]

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

### E. Other Important Matters related to Management Activities

#### [SK Telecom]

#### (1) Issuance of bonds

On April 23, 2013, the Company issued two tranches of fixed-rate unsecured bonds in the principal amounts of Won 230 billion (with an annual interest rate of 3.03% and a maturity date of April 23, 2023) and Won 130 billion (with an annual interest rate of 3.22% and a maturity date of April, 23, 2033).

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

#### (2) Issuance of hybrid securities

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

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## (3) Conversion of convertible notes

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

## [SK Broadband]

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

## [SK Communications]

In July 2011, there was a leak of personal information of subscribers of NATE and Cyworld websites operated by SK Communications. As of June 30, 2014, 22 lawsuits were filed against SK Communications, alleging that the leak was caused by its poor management of subscribers personal information and seeking damages of approximately Won 2.0 billion. With respect to a few of the lawsuits, the relevant district courts have rendered judgments for the relevant plaintiffs' claims in part and SK Communications has appealed such judgments to the applicable high courts, where the cases are currently pending. Other cases remain pending at various district courts in Korea.

**3. Total Number of Shares**

## A. Total Number of Shares

(As of June 30, 2014)

(Unit: in shares)

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

On July 20, 2011, the Company publicly disclosed its plan to repurchase treasury shares. The Company repurchased 1.4 million shares of treasury shares from July 25, 2011 to September 30, 2011 through the Korea Exchange. For more information on the repurchase of treasury shares, please see public disclosures made on July 20, 2011 and October 5, 2011.



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## B. Treasury Shares

## (1) Acquisitions and dispositions of treasury shares

(As of June 30, 2014)

(Unit: in shares)

Acquisition methods	Type of shares	At the beginning of period	Changes			At the end of period
			Acquired (+)	Disposed (-)	Retired (-)	
<b>Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ( FSCMA )</b>	Common shares	7,086,028				7,086,028
	Preferred shares					
	Common shares					
	Preferred shares					
	Common shares					
	Preferred shares					
	Common shares	7,086,028				7,086,028
	Preferred shares					
	Common shares					
	Preferred shares					
	Common shares	3,886,710				3,886,710
	Preferred shares	3,886,710				3,886,710
Common shares	(1,163,363)				(1,163,363)	
Preferred shares						
Common shares	9,809,375				9,809,375	
Preferred shares						

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

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

(As of June 30, 2014)		(Unit: in shares)	
Classification		Number of shares	Remarks
<b>Total shares (A)</b>	Common share	80,745,711	
	Preferred share		
<b>Number of shares without voting rights (B)</b>	Common share	9,809,375	Treasury shares
	Preferred share		
<b>Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C)</b>	Common share		
	Preferred share		
<b>Shares with restricted voting rights pursuant to Korean law (D)</b>	Common share		
	Preferred share		
<b>Shares with reestablished voting rights (E)</b>	Common share		
	Preferred share		
<b>The number of shares with exercisable voting rights (F = A - B - C - D + E)</b>	Common share	70,936,336	
	Preferred share		

**5. Dividends and Others**

## A. Dividends

- (1) Distribution of cash dividends was approved during the 27th General Meeting of Shareholders held on March 11, 2011.

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

- (2) Distribution of interim dividends of Won 1,000 was approved during the 330th Board of Directors Meeting on July 28, 2011.

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

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

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

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

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

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

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

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

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

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## B. Dividends for the Last Three Fiscal Years

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

Classification	As of and for the six months ended June 30, 2014	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012
Par value per share (Won)	500	500	500
Net income	516,907	910,157	1,242,767
Net income per share (Won)	7,168	12,837	17,832
Total cash dividend	70,508	666,374	655,133
Total stock dividends			
Percentage of cash dividend to available income (%)	13.6	73.2	52.7
Cash dividend yield ratio (%)			
Common share	0.4	6.2	6.6
Preferred share			
Stock dividend yield ratio (%)			
Common share			
Preferred share			
Cash dividend per share (Won)	1,000	9,400	9,400
Common share			
Preferred share			
Stock dividend per share (share)			
Common share			
Preferred share			

\* The above figures were prepared based on separate financial statements. Net income per share means basic net income per share.

\* The total cash dividend of Won 656,533 million for the year ended December 31, 2011 includes the total interim dividend amount of Won 71,095 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.

\* The total cash dividend of Won 655,133 million for the year ended December 31, 2012 includes the total interim dividend amount of Won 69,695 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.

\* The total cash dividend of Won 666,374 million for the year ended December 31, 2013 includes the total interim dividend amount of Won 70,508 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.

**Table of Contents****II. BUSINESS**

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

**1. Business Overview**

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

<b>Classification</b>	<b>Company name</b>	<b>Description of business</b>
<b>Wireless</b>	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	Network O&S Co., Ltd.	Network maintenance services such as the operation of the Company's base stations and related transmission and power facilities
<b>Fixed-line</b>	Service Ace Co., Ltd.	Customer center management and telemarketing services
	SK Broadband Co., Ltd.	High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents
<b>Other business</b>		Various media-related services, such as channel management, including video on demand, and mobile IPTV services
	SK Telink Co., Ltd.	International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator ( MVNO ) services
	SK Planet Co., Ltd.	Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others
	SK Communications Co., Ltd.	Integrated portal services through NATE and instant messaging services through NATE-ON
	M&Service Co., Ltd.	System software development, distribution and technical support services and other online information services

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

As of December 31, 2013, the Korean mobile communication market can be considered to have reached its maturation stage with more than a 100% penetration rate. However, the Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE-A, LTE and 3G smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the commercialization of LTE network in July 2011 and LTE-A network in June 2013, B2B businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly. In the first half of 2014, wideband LTE-A service was commercialized and by late 2014, technology will progress for the commercialization of the 3band LTE-A service, which bundles three different bandwidths to allow faster network service.



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## B. Growth Potential

(Unit: in 1,000 persons)

Classification		As of June 30,		As of December 31,		
		2014	2013	2012	2011	2010
	<b>SK Telecom</b>	27,889	27,352	26,961	26,553	25,705
<b>Number of subscribers</b>	<b>Others (KT, LGU+)</b>	27,782	27,328	26,663	25,954	25,062
	<b>Total</b>	55,671	54,680	53,624	52,507	50,767

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

## C. Domestic and Overseas Market Conditions

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

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

(Unit: in percentages)

Classification	As of June		As of December 31,		
	30, 2014	2013	2012	2011	2010
<b>Mobile communication services</b>	50.1	50.0	50.3	50.6	50.6

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

## D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the six months ended June 30, 2014, the Company recorded Won 8.5 trillion in revenue and Won 800 billion in operating income on a consolidated basis and Won 6.5 trillion in revenue and Won 780 billion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of June 30, 2014 was 27.89 million, an increase of approximately 80,000 from the previous quarter. In particular, the number of smartphone subscribers as of June 30, 2014 was 18.93 million, an increase of approximately 110,000 from the previous quarter, including 15.38 million LTE subscribers, solidifying the Company s market leadership. Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services, full high definition mobile IPTV streaming services, and T Baseball Multiview, which allows users to watch multiple baseball games on one screen, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea s top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 17 years, 16 years and 15 years, respectively.



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

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

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

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

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

**B. Growth Potential**

(Unit: in 1,000 persons)

Classification		As of June 30, 2014	As of December 31,	
			2013	2012
Fixed-line Subscribers	High-speed Internet	18,961	18,738	18,253
	Fixed-line telephone	17,271	17,620	18,261
	IPTV (real-time)	9,557	8,522	6,310

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

**C. Cyclical Nature and Seasonality**

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

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

(Unit: in percentages)

Classification	As of June 30, 2014	As of December 31,	
		2013	2012

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High-speed Internet (include resales)	24.7	24.4	24.1
Fixed-line telephone (include Voice over Internet Protocol)	16.9	16.9	16.7
IPTV (real-time)	25.3	24.4	22.2

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

### **D. Business Overview and Competitive Strengths**

In 1999, the Company was the first in the world to commence commercial ADSL services and on the back of its premium technology and enhanced competitiveness achieved through bundled products, it is currently expanding subscriber base across all of its businesses, including broadband Internet, telephone and IPTV. In particular, SK Broadband has positioned itself to focus on corporate customer services and IPTV services as key strategic areas for mid- to long-term growth, exploiting opportunities in new ICT-based businesses that have led to revenue growth, and providing differentiated contents in its IPTV business by securing popular programming which includes exclusive children's channels and live broadcasts of Major League Baseball games. In addition, in September 2013, the Company developed technology that compresses videos for its ultra-high definition IPTV services. During the first quarter of 2014, the Company commercialized new transmission technology that can more efficiently transmit signals on the hybrid fiber-coaxial network despite its limited frequency. Furthermore, the Company solidified its technological leadership for providing ultra-high definition broadcasting for wireless and fixed line in the IPTV industry by commercializing a unique ultra-high-definition service that can be provided directly to smart televisions without the installation of smart set-top boxes in April 2014 and started transmitting ultra-high definition contents to mobile IPTV in May 2014.

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

### **[Other Business]**

#### **A. Industry Characteristics**

As the number of smartphones distributed in Korea exceeds 30 million, the growth in various mobile devices has spurred the rise of the service provider with a strong platform business as the leader in the ICT market. It is becoming increasingly important to enhance competitiveness by building a platform with large data capacity to handle the increase in data transmission.

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

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

**Table of Contents****B. Growth Potential**

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

**C. Domestic and Overseas Market Conditions****(1) Commerce markets**

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

**(2) Digital contents**

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

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

**D. Business Overview and Competitive Strengths**

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

**(1) Commerce**

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

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

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OK Cashbag is a point-based loyalty marketing program which has grown to become a global top-tier loyalty marketing program since its inception in 1999. Customers have access to increased benefits through accumulation of loyalty reward points and partner companies use OK Cashbag as a marketing resource. With 37 million subscribers, OK Cashbag maintains a leading position in the industry and plans to continue strengthening its position by providing customized services befitting customers' needs and market conditions.

**(2) Location-based services**

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 19.19 million as of June 30, 2014, T-Map Navigation is one of the leading location-based service platforms in Korea. The Company is broadening the range of its location-based services by also providing infotainment systems to commercial vehicle businesses as well as providing localized content on its products, such as region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

**(3) Digital contents**

T Store, launched in September 2009, reached 22.69 million subscribers and cumulative downloads of 2.2 billion as of June 30, 2014, solidifying its leadership position in the application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

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

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

The Company's instant messenger service, Nate-On, had the largest market share of 36.8% in the instant messenger market in Korea with 6 million net users during June 2014. The Company's Internet search portal service, Nate, had a page-view market share of 5.1% as of June 30, 2014. (Source: Korean Click, based on fixed-line access)

**Satellite DMB service**

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

**2. Major Products & Services****A. Updates on Major Products and Services**

(Unit: in millions of Won and percentages)

Business	Major Companies	Item	Major Trademarks	Consolidated Sales Amount (ratio)
Wireless	SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Service Ace Co., Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T and others	6,775,491 (79.7%)

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<b>Business</b>	<b>Major Companies</b>	<b>Item</b>	<b>Major Trademarks</b>	<b>Consolidated Sales Amount (ratio)</b>
<b>Fixed-line</b>	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	1,228,107 (14.4%)
<b>Other</b>	SK Planet Co., Ltd , SK Communications Co., Ltd., M&Service Co., Ltd.,	Internet portal service, e-commerce and investment	OK Cashbag, NATE, T Store, T-Map Navigation and others	503,690 (5.9%)
<b>Total</b>				<b>8,507,288 (100.0%)</b>

[Wireless Business]

In the past, based on the Company's basic monthly subscription plan, the basic service fee was Won 13,000 per month and the usage fee was Won 20 per 10 seconds (daytime calls) and based on the Company's standard monthly subscription plan, the basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of June 30, 2014, based on the Company's standard monthly subscription plan, the basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of June 30, 2014, broadband Internet and TV services comprised 51.2% of SK Broadband's revenue, telephony service 22.0%, corporate data services 26.3% and other telecommunications services 0.5%. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long-term contracts, changes in equipment costs and competition between companies.



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[Other Business]

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

Business	Item	Major Trademarks
<b>Platform</b>	ICT services, new media services, advertisement services, telecommunications sales, e-commerce and others	Syrup, T Store, 11th Street, T Map, Hoppin, OK Cashbag and others
<b>Display advertisement</b>	Online advertisement services	Nate, Nate-On
<b>Search advertisement</b>	Online advertisement services	Nate, Nate-On
<b>Contents and others</b>	Pay content sales and other services	Nate, Nate-On

**3. Investment Status**

[Wireless Business]

## A. Investment in Progress

(Unit: in 100 millions of Won)

Business	Classification	Investment period	Subject of investment	Investment effect	Expected investment amount	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	2014	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	7,822	
	<b>Total</b>				21,000	7,822	

## B. Future Investment Plan

(Unit: in 100 millions of Won)

Business	Expected investment amount	Asset type	Amount	Expected investment for each year			Investment effect
				2014	2015	2016	
Network/Common	21,000	Network, systems and others	21,000	To be determined	To be determined	To be determined	Upgrades to the existing services and expanded provision of services including wideband LTE-A
	<b>Total</b>		21,000	21,000	To be determined	To be determined	

[Fixed-line Business]

## A. Investment in Progress

In the first half of 2014, the Company has increased the amount of capital investments compared to the same period in 2013 due to a net increase in the number of IPTV subscribers and the number of new contracts with corporate customers and in order to expand its B2B coverage in advance of the revenue growth expected in the second half of 2014. The Company expects that the total amount of capital investments in 2014 will be similar to that of 2013.

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(Unit: in 100 millions of Won)

<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>Total investments</b>	<b>Amount already invested</b>	<b>Future investment</b>
High-speed Internet	Upgrade/ New installation	For the six months ended June 30, 2014	Backbone and subscriber network / others	Expand subscriber networks and facilities	2,241	420	To be determined
Telephone				27			
Television				592			
Corporate Data				Increase leased-line and integrated information system		1,040	
Others				Expand networks and required space		162	
Total					2,241	2,241	

**Table of Contents****4. Revenues**

(Unit: in millions of Won)

Business	Sales type	Item	For the six months ended		For the year	For the year
			June 30, 2014	ended December 31, 2012*	ended December 31, 2011*	
Wireless	Services	Mobile communication	Export	1,508	2,526	14,202
			Domestic	6,568,795	13,313,006	13,204,702
			Subtotal	6,570,303	13,315,532	13,218,904
Fixed-line	Services	Fixed-line, B2B data, High-speed Internet, TV	Export	28,575	28,002	29,883
			Domestic	1,120,361	2,296,387	2,163,978
			Subtotal	1,148,936	2,324,389	2,193,861
Other	Services	Display and Search ad., Content	Export		14,049	4,698
			Domestic	463,380	948,084	723,946
			Subtotal	463,380	962,133	728,644
Total			Export	30,083	44,577	48,783
			Domestic	8,152,536	16,557,477	16,092,626
			Total	8,182,619	16,602,054	16,141,409

\* Revenue for the year ended December 31, 2011 has been retroactively revised to reflect the effect of discontinued operations resulting from the sale of Loen Entertainment.

(Unit: in millions of Won)

For the six months ended

June 30, 2014	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
<b>Total sales</b>	7,520,742	1,517,777	878,927	9,917,446	(1,410,158)	8,507,288
<b>Internal sales</b>	745,251	289,670	375,237	1,410,158	(1,410,158)	
<b>External sales</b>	6,775,491	1,228,107	503,690	8,507,288		8,507,288
<b>Operating income (loss)</b>	788,831	25,865	(16,206)	798,490		798,490
<b>Net income (loss)</b>						940,583
<b>Total assets</b>	23,386,690	3,325,776	3,089,274	29,801,740	(2,774,091)	27,027,649
<b>Total liabilities</b>	9,958,215	2,067,197	866,318	12,891,730	(67,261)	12,824,469

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

Currency swap contracts under cash flow hedge accounting as of June 30, 2014 are as follows.

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of	Foreign currency risk and interest	Cross currency interest rate swap	United Overseas Bank	Dec. 15, 2011 Dec. 12, 2014

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	SGD 65,000,000)	rate risk			
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank and Citibank	Dec. 15, 2011 Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)	Foreign currency risk	Cross currency swap	Citibank and five other banks	Jun. 12, 2012 Jun.12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	Foreign currency risk	Cross currency swap	Barclays and nine other banks	Nov. 1, 2012 May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 Nov. 17, 2017

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Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank	Mar. 7, 2013 Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	Foreign currency risk	Cross currency swap	Korea Development Bank and others	Oct. 29, 2013 Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$92,098,000)	Foreign currency risk	Cross currency swap	Deutsche Bank	Dec. 16, 2013 Apr. 29, 2022

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

As of June 30, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows.

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

Hedged item	Accumulated gain (loss) on valuation of derivatives	Tax effect	Fair value			Total
			Cash flow hedge Foreign currency translation gain (loss)	Others <sup>(*1)</sup>	Trading purposes	
<b>Non-current assets:</b>						
Convertible option <sup>(*)2)</sup> (face amounts of Won 100 million)					6,017	6,017
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	(48,130)	(15,367)	(50,973)	129,806		15,336
<b>Total assets</b>						21,353
<b>Current liabilities:</b>						
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000,000)	47	15	(4,683)			(4,621)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	5,538	1,768	(35,807)			(28,501)
<b>Non-current liabilities:</b>						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)	(8,026)	(2,562)	(21,910)			(32,498)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	(12,082)	(3,857)	(52,811)			(68,750)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	6,919	2,208	(48,732)			(39,605)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	2,344	749	(20,669)			(17,576)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(3,249)		(13,955)			(17,204)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$92,098,000)	(3,336)	(1,065)	(3,527)			(7,928)
<b>Total liabilities</b>						(216,683)

(\*1) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31,

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2012.

- (\*2) Fair value of the conversion option of convertible bonds held by SK Communications Co., Ltd.. amounting to Won 10 million was accounted for as derivative financial assets.

**Table of Contents****6. Major Contracts**

[SK Telecom]

(Unit: in 100 millions of Won)

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Strategic Product #1 T map]	2,545
Purchase	SK C&C Co., Ltd.	April 1, 2014	December 31, 2014	2014 IT Academy IT Service Management Contract (SK C&C)	1,462
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Strategic Product #2 T freemium	1,001
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Biz ASP #5 Voice/Messaging VAS (Color Ring, etc.)	545
Purchase	SK Planet Co., Ltd.	March 1, 2014	February 1, 2015	2014 T Membership Program Management Contract (March 2014 January 2015)	529
Real Estate	Individuals	January 1, 2014	April 30, 2014	Purchase of land for construction of new headquarters and 8 other buildings	126
Subtotal					6,208

[SK Broadband]

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

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

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

[SK Communications]

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<b>Counterparty</b>	<b>Purpose</b>	<b>Contract Period</b>	<b>Contract Amount</b>
Daum Communications	Cost-per-click Internet search advertisement		Amount determined based on the number of clicks

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

**7. R&D Investments**

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



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(Unit: in millions of Won except percentages)

Category		For the six months ended June 30, 2014	For the year ended December 31, 2013	2012	Remarks
Raw material		61	38	42	
Labor		34,901	79,865	59,050	
Depreciation		96,373	158,158	163,295	
Commissioned service		46,836	22,923	62,399	
Others		29,468	102,668	61,546	
Total R&D costs		207,639	363,652	346,332	
Accounting	Sales and administrative expenses	204,960	352,385	304,557	
	Development expenses (Intangible assets)	2,679	11,267	41,775	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)		2.44%	2.19%	2.12%	

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

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

**B. Business-related Intellectual Property**

[SK Telecom]

The Company holds 5,234 Korean-registered patents, 309 U.S.-registered patents, 211 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 899 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

[SK Broadband]

SK Broadband holds 409 Korean-registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of June 30, 2014, SK Planet held 2,360 registered patents, 112 registered design marks, 1,187 registered trademarks and one copyright (including those held jointly with other companies) in Korea. It also holds 88 U.S.-registered patents, 78 Chinese-registered patents, 53 Japanese-registered patents, 23 E.U.-registered patents (all including patents held jointly with other companies) and 226 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of June 30, 2014, SK Communications held 74 registered patents, 26 registered design rights and 736 registered trademarks in Korea.



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C. Business-related Pollutants and Environmental Protection

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

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

## A. Summary Financial Information (Consolidated)

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

	As of June 30, 2014	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
<b>Assets</b>				
Current Assets	5,592,624	5,123,415	5,294,421	6,117,479
Cash and Cash Equivalents	1,331,263	1,398,639	920,125	1,650,794
Accounts Receivable Trade, net	2,483,091	2,257,316	1,954,920	1,823,170
Accounts Receivable Other, net	747,478	643,603	582,098	908,836
Others	1,030,792	823,857	1,837,278	1,734,679
Non-Current Assets	21,435,025	21,453,100	20,301,138	18,248,557
Long-Term Investment Securities	924,610	968,527	953,712	1,537,945
Investments in Associates and Joint Ventures	5,602,137	5,325,297	4,632,477	1,384,605
Property and Equipment, net	10,057,105	10,196,607	9,712,719	9,030,998
Intangible Assets, net	2,566,599	2,750,782	2,689,658	2,995,803
Goodwill	1,751,075	1,733,261	1,744,483	1,749,933
Others	533,499	478,626	568,089	1,549,273
Total Assets	27,027,649	26,576,515	25,595,559	24,366,036
<b>Liabilities</b>				
Current Liabilities	6,162,670	6,069,220	6,174,895	6,673,590
Non-Current Liabilities	6,661,799	6,340,738	6,565,882	4,959,737
Total Liabilities	12,824,469	12,409,958	12,740,777	11,633,327
<b>Equity</b>				
Equity Attributable to Owners of the Parent Company	13,493,924	13,452,372	11,854,777	11,661,881
Share Capital	44,639	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	288,726	317,508	(288,883)	(285,347)
Retained Earnings	13,254,623	13,102,495	12,124,657	11,642,525
Reserves	(94,064)	(12,270)	(25,636)	260,064
Non-controlling Interests	709,256	714,185	1,000,005	1,070,828
Total Equity	14,203,180	14,166,557	12,854,782	12,732,709
Total Liabilities and Equity	27,027,649	26,576,515	25,595,559	24,366,036
Number of Companies Consolidated	29	28	32	31

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

	For the six months ended June 30, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012*	For the year ended December 31, 2011*
Operating Revenue	8,507,288	16,602,054	16,141,409	15,803,174
Operating Income	798,490	2,011,109	1,730,049	2,266,197
Profit Before Income Tax	940,583	1,827,101	1,519,368	2,212,273
Profit for the Period	764,948	1,609,549	1,115,663	1,582,073
Profit for the Period Attributable to Owners of the Parent Company	768,350	1,638,964	1,151,705	1,612,889
Profit for the Period Attributable to Non-controlling Interests	(3,402)	(29,415)	(36,042)	(30,816)
Basic Earnings Per Share (Won)	10,713	23,211	16,525	22,848
Diluted Earnings Per Share (Won)	10,713	23,211	16,141	22,223

\* Financial information for the years ended December 31, 2011 and 2012 have been retroactively revised to reflect the effect of discontinued operations resulting from the sale of Loen Entertainment.

**B. Changes to Accounting Standards Adopted During 2012****(1) Financial Instruments: Disclosures**

The Company has applied the amendments to K-IFRS No.1107, **Financial Instruments: Disclosures** since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

**(2) Presentation of Financial Statements**

The Company adopted the amendments pursuant to the amended K-IFRS No. 1001, **Presentation of Financial Statements** starting with the year ended December 31, 2012. The Company's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold and selling, general and administrative expenses.

**C. Changes to Accounting Standards Adopted During 2013****(1) Presentation of Financial Statements**

The Company has applied the amendments to K-IFRS No. 1001, **Presentation of Financial Statements** since January 1, 2013, classified items within other comprehensive income by nature and presented items that are not subsequently recycled through profit or loss and items that are subsequently reclassified if certain conditions are met as a group.

**(2) Consolidated Financial Statements**

The Company has applied the amendments to K-IFRS No. 1110, **Consolidated Financial Statements** since January 1, 2013. The standard introduces a single control model to determine whether an investee should be consolidated. Subsidiary is an entity that is controlled by a controlling entity or a subsidiary of a controlling company. A controlling entity or a subsidiary of a controlling company controls a subsidiary when the controlling entity or the subsidiary of the controlling company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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### (3) Joint Arrangements

The Company has applied the amendments to K-IFRS No. 1111, Joint Arrangements since January 1, 2013. The standard classifies joint arrangements into two types joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venture to recognize an investment and to account for that investment using the equity method.

### (4) Disclosure of Interests in Other Entities

The Company has applied the amendments to K-IFRS No. 1112, Disclosure of Interests in Other Entities since January 1, 2013. The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests.

### (5) Employee Benefits

The Company has applied the amendments to K-IFRS No. 1019, Employee Benefits since January 1, 2013. The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation.

### (6) Fair Value Measurement

The Company has applied the amendments to K-IFRS No. 1113, Fair Value Measurement since January 1, 2013. The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements.

## D. Impact of Changes in Accounting Policies

### (1) Consolidated Financial Statements

In accordance with the transitional provision on K-IFRS No. 1110, the Company assessed control on investees as of January 1, 2013, the initial adoption date of the standard, and there have been no changes in subsidiaries upon adoption of the standard.

**Table of Contents****2. Summary Financial Information (Separate)****A. Summary Financial Information (Separate)**

(Unit: in millions of Won)

	As of June 30, 2014	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
<b>Assets</b>				
<b>Current Assets</b>	2,754,974	2,817,782	2,589,699	3,948,077
Cash and Cash Equivalents	412,194	448,459	256,577	895,558
Accounts Receivable Trade, net	1,597,263	1,513,138	1,407,206	1,282,234
Accounts Receivable Other, net	338,861	388,475	383,048	774,221
Others	250,654	467,710	542,868	996,064
<b>Non-Current Assets</b>	19,739,061	20,009,637	19,659,803	16,572,450
Long-Term Investment Securities	610,715	729,703	733,893	1,312,438
Investments in Subsidiaries and Associates	8,175,838	8,010,121	7,915,547	4,647,506
Property and Equipment, net	7,318,724	7,459,986	7,119,090	6,260,169
Intangible Assets, net	2,067,883	2,239,167	2,187,872	2,364,795
Goodwill	1,306,236	1,306,236	1,306,236	1,306,236
Others	259,665	264,424	397,165	681,306
<b>Total Assets</b>	22,494,035	22,827,419	22,249,502	20,520,527
<b>Liabilities</b>				
Current Liabilities	4,110,587	4,288,07	4,343,086	4,467,006
Non-Current Liabilities	5,233,127	5,223,938	5,529,368	4,087,219
<b>Total Liabilities</b>	9,343,714	9,512,011	9,872,454	8,554,225
<b>Equity</b>				
Share Capital	44,639	44,639	44,639	44,639
Capital Surplus and Other Capital Adjustments	433,894	433,894	(236,160)	(236,016)
Retained Earnings	12,568,736	12,665,699	12,413,981	11,837,185
Reserves	103,052	171,176	154,588	320,494
<b>Total Equity</b>	13,150,321	13,315,408	12,377,048	11,966,302
<b>Total Liabilities and Equity</b>	22,494,035	22,827,419	22,249,502	22,520,527

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

	For the six months ended June 30, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
<b>Operating Revenue</b>	6,528,313	12,860,379	12,332,719	12,551,255
<b>Operating Income</b>	778,959	1,969,684	1,675,388	2,184,498
<b>Profit Before Income Tax</b>	640,379	1,220,797	1,546,719	2,274,421
<b>Profit for the Period</b>	516,907	910,157	1,242,767	1,694,363
<b>Basic Earnings Per Share (Won)</b>	7,168	12,837	17,832	24,002
<b>Diluted Earnings Per Share (Won)</b>	7,168	12,837	17,406	23,343

**B. Changes to Accounting Standards Adopted During 2012****(1) Financial Instruments: Disclosures**

The Company has applied the amendments to K-IFRS No.1107, Financial Instruments: Disclosures since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.





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### (2) Presentation of Financial Statements

The Company adopted the amendments pursuant to the amended K-IFRS No. 1001, *Presentation of Financial Statements* starting with the year ended December 31, 2012. The Company's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold and selling, general and administrative expenses.

### C. Changes to Accounting Standards Adopted During 2013

#### (1) Presentation of Financial Statements

The Company has applied the amendments to K-IFRS No. 1001, *Presentation of Financial Statements* since January 1, 2013, classified items within other comprehensive income by nature and presented items that are not subsequently recycled through profit or loss and items that are subsequently reclassified if certain conditions are met as a group.

#### (2) Consolidated Financial Statements

The Company has applied the amendments to K-IFRS No. 1110, *Consolidated Financial Statements* since January 1, 2013. The standard introduces a single control model to determine whether an investee should be consolidated. Subsidiary is an entity that is controlled by a controlling entity or a subsidiary of a controlling company. A controlling entity or a subsidiary of a controlling company controls a subsidiary when the controlling entity or the subsidiary of the controlling company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

#### (3) Joint Arrangements

The Company has applied the amendments to K-IFRS No. 1111, *Joint Arrangements* since January 1, 2013. The standard classifies joint arrangements into two types joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method.

#### (4) Disclosure of Interests in Other Entities

The Company has applied the amendments to K-IFRS No. 1112, *Disclosure of Interests in Other Entities* since January 1, 2013. The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests.

#### (5) Employee Benefits

The Company has applied the amendments to K-IFRS No. 1019, *Employee Benefits* since January 1, 2013. The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation.

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(6) Fair Value Measurement

The Company has applied the amendments to K-IFRS No. 1113, Fair Value Measurement since January 1, 2013. The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements.

D. Impact of Changes in Accounting Policies

(1) Consolidated Financial Statements

In accordance with the transitional provision on K-IFRS No. 1110, the Company assessed control on investees as of January 1, 2013, the initial adoption date of the standard, and there have been no changes in subsidiaries upon adoption of the standard.

3. K-IFRS: Preparation, Impact to Financial Statements and Changes in the Accounting Principles Implemented

Transition to K-IFRS

The Company prepares its financial statements in accordance with K-IFRS starting from fiscal year 2011 which commenced on January 1, 2011. The Company's financial statements in previous periods were prepared in accordance with Korean GAAP. The Company's financial statements for fiscal year 2010, which are presented for comparison, were prepared in accordance with K-IFRS with January 1, 2010 as the transition date and pursuant to K-IFRS No. 1101, First-time Adoption of Korean International Financial Reporting Standards.

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

Six months ended June 30,

2014

KPMG Samjong Accounting Corp.

Year ended December 31,  
2013

KPMG Samjong Accounting Corp.

Year ended December 31,  
2012

KPMG Samjong Accounting Corp.

**2. Audit Opinion (Consolidated)****Period**

Six months ended June 30, 2014

Year ended December 31, 2013

Year ended December 31, 2012

**Auditor's opinion**

Unqualified

Unqualified

**Issues noted**

N/A

N/A

**3. Auditor (Separate)**

Six months ended June 30,

2014

KPMG Samjong Accounting Corp.

Year ended December 31,  
2013

KPMG Samjong Accounting Corp.

Year ended December 31,  
2012

KPMG Samjong Accounting Corp.

**4. Audit Opinion (Separate)****Period**

Six months ended June 30, 2014

Year ended December 31, 2013

Year ended December 31, 2012

**Auditor's opinion**

Unqualified

Unqualified

**Issues noted**

N/A

N/A

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

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

Fiscal Year	Auditors	Contents	Fee	Total number of hours accumulated for the fiscal year
Year ended December 31, 2014	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,280,000	17,890

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

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## B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

Period	Contract date	Service provided	Service duration	Fee
Six months ended June 30, 2014	N/A			
Year ended December 31, 2013	N/A			
Year ended December 31, 2012	N/A			

**6. Change of Independent Auditors**

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

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**V. Management's discussion and analysis**

Omitted in quarterly and semi-annual reports in accordance with Korean disclosure rules.

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

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

Total number of persons	Inside directors	Independent directors
8	Sung Min Ha, Dae Sik Cho, Dong Seob Jee	Jae Hyeon Ahn, Dae Shick Oh, Jae Hoon Lee, Hyun Chin Lim, Jay Young Chung

(As of August 8, 2014)

At the 30th General Meeting of Shareholders held on March 21, 2014, Jae Hoon Lee was elected as an inside director and Jae Hyeon Ahn was elected as an independent director and a member of the audit committee.

**B. Significant Activities of the Board of Directors**

Meeting	Date	Agenda	Approval
		Financial statements as of and for the year ended December 31, 2013	Approved as proposed
361th (the 1st meeting of 2014)	February 6, 2014	Annual business report as of and for the year ended December 31, 2013	Approved as proposed
		Report of internal accounting management	
		Report for the period after the fourth quarter of 2013	
		2014 transaction of goods, services and assets with SK Planet Co., Ltd.	Approved as proposed
362th (the 2nd meeting of 2014)	February 20, 2014	Rights offering by PS&Marketing Co., Ltd.	Approved as proposed
		Convocation of the 30th General Meeting of Shareholders	Approved as proposed
		Evaluation results of internal accounting management system	

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		Election of the chief executive officer	Approved as proposed
		Election of the chairman of the Board of Directors	Approved as proposed
363th (the 3rd meeting of 2014)	March 21, 2014	Election of committee members	Approved as proposed
		Financial transactions with affiliated company (SK Securities)	Approved as proposed
		Provision of funds for management of the 2014 SUPEX meetings	Approved as proposed
		Transaction of goods relating to B Box with SK Broadband	Approved as proposed
364th (the 4th meeting of 2014)	April 24, 2014	Bond offering	Approved as proposed
		Financial transactions with affiliated company (SK Securities)	Approved as proposed
365th (the 5th meeting of 2014)	June 24, 2014	Report for the period after the first quarter of 2014	
		Financial transactions with affiliated company (SK Securities)	Approved as proposed
		Payment of interim dividends	Approved as proposed
366th (the 6th meeting of 2014)	July 24, 2014	Financial results for the first six months of 2014	
		Report for the period after the first quarter of 2014	

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



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## C. Committees within Board of Directors

## (1) Committee structure (as of August 8, 2014)

## (a) Compensation Review Committee

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

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

## (b) Capex Review Committee

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

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

## (c) Corporate Citizenship Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
4	Dong Seob Jee	Jae Hyeon Ahn, Hyun Chin Lim, Jay Young Chung	Review guidelines on corporate social responsibility ( CSR ) programs, etc.

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

## (d) Independent Director Nomination Committee

Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3	Sung Min Ha	Dae Shick Oh, Jae Hoon Lee	Nomination of independent directors

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

## (e) Audit Committee

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Total number of persons	Members		Task
	Inside Directors	Independent Directors	
3		Dae Shick Oh, Hyun Chin Lim, Jae Hyeon Ahn	Review financial statements and supervise independent audit process, etc.

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

### 2. Audit System

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

Major activities of the Audit Committee as of August 8, 2014 are set forth below.

Meeting	Date	Agenda	Approval
		Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee	Approved as proposed
The 1st meeting of 2014	February 5, 2014	Review of business and audit results for the second half of 2013 and business and audit plans for 2014  Report of internal accounting management system	

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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
		Report on the IFRS audit of fiscal year 2013	
		Report on review of 2013 internal accounting management system	
		Evaluation of internal accounting management system operation	Approved as proposed
		Agenda and document review for the 30th General Meeting of Shareholders	Approved as proposed
The 2nd meeting of 2014	February 19, 2014	Auditor's report for fiscal year 2013	Approved as proposed
		IT service management contract for 2014	Approved as proposed
		Service contract with SK Wyverns for 2014	Approved as proposed
		Service contract with SKTCH	Approved as proposed
		Construction of fixed-line and wireless networks in 2014	Approved as proposed
The 3rd meeting of 2014	March 20, 2014	Transactions with SK C&C Co., Ltd. in the second quarter of 2014	Approved as proposed
The 4th meeting of 2014	April 23, 2014	Election of chairman	Approved as proposed
		Purchase of maintenance, repair and operations items from Happynarae Co., Ltd.	Approved as proposed
		Construction of fixed-line and wireless network facilities for 2014	Approved as proposed
		Remuneration for outside auditor for fiscal year 2014	Approved as proposed

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		Outside auditor service plan for fiscal year 2014	Approved as proposed
		Audit plan for fiscal year 2014	
		Transactions with SK C&C Co., Ltd. in the third quarter of 2014	Approved as proposed
The 5th meeting of 2014	June 25, 2014	Energy reduction business contract with SK Broadband Co., Ltd.	Approved as proposed
		Construction of fixed-line and wireless network facilities for 2014	Approved as proposed
The 6th meeting of 2014	July 23, 2014	Review of business and audit results for the first half of 2014 and business and audit plans for the second half of 2014	
		Report on the IFRS audit of fiscal year 2014	

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

### 3. Shareholders Exercise of Voting Rights

#### A. Voting System and Exercise of Minority Shareholders Rights

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

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

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

**Table of Contents****4. Affiliated Companies**

## A. Capital Investments between Affiliated Companies

(As of June 30, 2014)

Investing company	Invested companies									
	SK Corporation	SK Innovation	SK Energy	SK Global Chemical	SK Telecom	SK Networks	SKC	SK E&C	SK Shipping	SK Securities
SK Holdings		33.4%			25.2%	39.1%	42.5%	44.5%	83.1%	
SK Innovation			100.0%	100.0%						
SK Energy										
SK Global Chemical										
SK Networks										
SK Telecom										
SK Chemicals						0.02%		28.2%		
SKC										
SK E&C										
SK Gas										
SK C&C	31.8%									10.0%
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
Ko-one Energy										
SK Seentec										
Total affiliated companies	31.8%	33.4%	100.0%	100.0%	25.2%	39.2%	42.5%	72.7%	83.1%	10.0%

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Investing company	Invested companies									
	SK E&S	SK Gas	DOPCO	CCE	YN Energy	Ko-one Energy Service	Entis	SK Telink	Busan City Gas	Jeonnam City Gas
SK Holdings	94.1%									
SK Innovation			41.0%							
SK Energy										
SK Global Chemical										
SK Networks										
SK Telecom								83.5%		
SK Chemicals		45.5%					50.0%			
SKC										
SK E&C										
SK Gas										
SK C&C	5.9%									
SK E&S				100.0%	100.0%	99.9%			67.3%	100.0%
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
Ko-one Energy Service										
SK Seentec		10.0%								
Total affiliated companies	100.0%	55.5%	41.0%	100.0%	100.0%	99.9%	50.0%	83.5%	67.3%	100.0%

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

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Investing company	Invested companies									
	SK D&D	Natruck	SK Hynix	Speed Motor	SK Mobile Energy	SK Petrochemical	SK Communications	SK Planet	SKC Air Gas	SKN service
SK Holdings										
SK Innovation					100.0%					
SK Energy		100.0%								
SK Global Chemical						100.0%				
SK Networks				100.0%						86.5%
SK Telecom			20.4%					100.0%		
SK Chemicals										
SKC									80.0%	
SK E&C	50.0%									
SK Gas										
SK C&C										
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet								64.5%		
SK Hynix										
Ko-one Energy Service										
SK Seentec										
Total affiliated companies	50.0%	100.0%	20.4%	100.0%	100.0%	100.0%	64.5%	100.0%	80.0%	86.5%



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Investing company	Invested companies									
	Commerce Planet	Initz	SKC Solmics Co., Ltd.	SK Broadband	LC&C	PMP	PS&Marketing	UBcare	PyongTaek Energy Service	Wirye Energy Service
SK Holdings										
SK Innovation										
SK Energy										
SK Global Chemical										
SK Networks					100.0%					
SK Telecom				50.6%			100.0%			
SK Chemicals		80.3%						44.0%		
SKC			41.4%							
SK E&C										
SK Gas										
SK C&C										
SK E&S						100.0%			100.0%	89.5%
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet	100.0%									
SK Hynix										
Ko-one Energy Service										
SK Seentec										
Total affiliated companies	100.0%	80.3%	41.4%	50.6%	100.0%	100.0%	100.0%	44.0%	100.0%	89.5%

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

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

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

## \* Change in company names:

- Ulsan Aromatics changed its name from Arochemi
- Happynarae changed its name from MRO Korea
- Bizen changed its name from Telsk
- SK Hystec changed its name from Hystec
- SK HY ENG changed its name from Hynix Engineering
- Entis changed its name from SK Sci-tech
- Gangok Development changed its name from [Ants Development]

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

(As of June 30, 2014)

(Unit: in shares and percentages)

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

**B. Overview of the Largest Shareholder**

SK Holdings Co., Ltd. ( SK Holdings ) is a holding company in accordance with the Fair Trade Act and as of June 30, 2014, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

Affiliates	Share Holdings	Book Value (million Won)	Industry	Description
SK Innovation Co., Ltd.	33.4%	3,944,657	Energy and Petrochemical	Publicly Listed
SK Telecom Co., Ltd.	25.2%	3,091,125	Telecommunication	Publicly Listed
SK Networks Co., Ltd.	39.1%	905,691	Energy/ICT-related Product Distribution, Resource Development, Automotive	Publicly Listed
SKC Co., Ltd.	42.5%	254,632	Aftermarket, Fashion, Hotel PET Film Manufacturing and Chemical Products	Publicly Listed
SK E&C Co., Ltd.	44.5%	470,015	Infrastructure, Architectural Housing and Plant Construction	Privately Held
SK Shipping Co., Ltd.	83.1%	420,568	Ocean Freight	Privately Held
SK E&S Co., Ltd.	94.1%	1,026,307	Gas Company Holdings and Power Generation	Privately Held
SK Biofarm Co., Ltd.	100.0%	328,702	Biotechnology	Privately Held
SK Forest Co., Ltd.	100.0%	61,387	Forestry and Landscaping	Privately Held

\* The above shareholdings are based on common share holdings as of June 30, 2014.

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



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The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of its total assets based on the financial statements as of December 31, 2013. SK Innovation Co., Ltd. and SK Telecom Co., Ltd. are two such subsidiaries.

**2. Changes in Shareholdings of the Largest Shareholder**

Changes in shareholdings of the largest shareholder are as follows.

(As of June 30, 2014)

(Unit: in shares and percentages)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
SK Corporation	March 11, 2011	18,750,490	23.22	Man Won Jung, SK Telecom's CEO, resigned
	April 5, 2011	18,749,990	23.22	Shin Bae Kim, SK C&C's CEO, resigned
	July 8, 2011	18,749,990	23.22	Dal Sup Shim, an Independent Director, disposed 500 shares
	August 5, 2011	18,750,490	23.22	Shin Won Chey, SKC's Chairman, purchased 500 shares
	August 23, 2011	18,751,490	23.22	Shin Won Chey, SKC's Chairman, purchased 500 shares
	December 21, 2011	20,366,490	25.22	SK Holdings purchased 1,615,000 shares
	January 31, 2012	20,366,290	25.22	Retirement of Bang Hyung Lee, a former officer of an affiliated company
	January 1, 2014	20,367,290	25.22	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	March 24, 2014	20,368,290	25.22	Shin Won Chey, SKC's Chairman, purchased 1,000 shares

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

**3. Distribution of Shares**

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

(As of June 30, 2014)

(Unit: in shares and percentages)

Rank	Name (title)	Number of shares	Common share Ownership ratio	Remarks
1	Citibank ADR	13,337,328	16.52%	
2	SK Holdings	20,363,452	25.22	
3	SK Telecom	9,809,375	12.15	Treasury shares
4	National Pension Service	4,760,489	5.90	As of End of 2013
Shareholdings under the Employee Stock Ownership Program		111,528	0.14	As of June 30, 2014

B. Shareholder Distribution

(As of June 30, 2014)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
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Total minority shareholders*	24,174	99.76%	31,057,635	38.46%
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\* Defined as shareholders whose shareholding is less than a hundredth of the total issued and outstanding shares.



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

## A. Domestic Securities Market

(Unit: in Won and shares)

Types		June 2014	May 2014	April 2014	March 2014	February 2014	January 2014
<b>Common stock</b>	<b>Highest</b>	243,500	229,000	217,000	219,000	216,500	229,000
	<b>Lowest</b>	218,500	216,000	198,000	203,500	196,500	205,500
<b>Monthly transaction volume</b>		3,423,138	2,785,194	4,636,269	3,786,217	3,920,134	3,528,891

## B. Foreign Securities Market

## New York Stock Exchange

(Unit: in US dollars and number of American Depositary Receipts)

Types		June 2014	May 2014	April 2014	March 2014	February 2014	January 2014
<b>Depository Receipt</b>	<b>Highest</b>	26.50	24.77	23.09	22.67	22.38	24.07
	<b>Lowest</b>	23.56	23.23	20.76	21.25	20.76	21.14
<b>Monthly transaction volume</b>		21,637,750	14,595,143	20,665,121	15,377,813	20,403,936	22,341,886

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

(As of June 30, 2014)

(Unit: in persons and millions of Won)

Classification	Number of employees			Total	Average service year	Aggregate wage for the year 2014	Average wage per person	Remarks
	Regular employees	Contract employees	Others					
Male	3,590	139		3,729	12.9	276,693	74	
Female	543	87		630	10.7	32,673	52	
Total	4,133	226		4,359	12.6	309,366	71	

\* Excludes retirement and severance payments to employees whose employment was terminated before the end of the respective employment periods. Average wage per person was calculated with respect to the total number of paid employees.

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

(As of June 30, 2014)

(Unit: in millions of Won)

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

**B. Amount Paid**

(As of June 30, 2014)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director
Insider Directors	3	2,307	769
Independent Directors*	2	82	41
Audit Committee Members	3	123	41
Total	8	2,512	314

**3. Individual Compensation of Directors**

(As of June 30, 2014)

(Unit: in millions of Won)

Name	Title	Aggregate Amount Paid
Sung Min Ha	Chief Executive Officer and President	1,083
Dong Seob Jee	Head of Strategy & Planning Office	544

**Table of Contents****IX. RELATED PARTY TRANSACTIONS****1. Transfer of Assets to/from the Largest Shareholder and Other Transactions**

## A. Investment and Disposition of Investment

None.

## B. Transfer of Assets

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Transferred Assets	Purpose of Transfer	Date of Transfer	Details		Remarks
					Amount Transferred from Largest Shareholder	Amount Transferred to Largest Shareholder	
SK Broadband Co., Ltd.	Subsidiary	Computer software	Disposition of assets	June 30, 2014		8,760	
Total						8,760	

\* On April 24, 2014, the board of directors resolved to transfer the Company's tangible and intangible investment assets related to B Box to SK Broadband Co., Ltd. for Won 8,760 million for reliable and efficient operations of smart IPTV services, and the transfer of the assets was completed on June 30, 2014.

**2. Related Party Transactions (excluding Transactions with the Largest Shareholder and Related Persons)**

## A. Provisional Payment and Loans (including loans on marketable securities)

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
Seoul E&T and others	Agency	Long-term and short-term loans	84,760	85,959	69,413	101,306		

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
Daehan Kanggun BcN Co., Ltd.		Long-term						
	Investee	loans	22,102	46		22,148		

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

None.

**B. Summary Minutes of the General Meeting of Shareholders**

<b>Date</b>	<b>Agenda</b>	<b>Resolution</b>
	1. Approval of the financial statements for the year ended December 31, 2010	Approved (Cash dividend, Won 8,400 per share)
	2. Approval of Remuneration Limit for Directors	Approved
	3. Amendment to Company Regulation on Executive Compensation	Approved (Won 12 billion)
27 <sup>th</sup> Fiscal Year Meeting of Shareholders (March 11, 2011)	4. Election of directors	Approved (Sung Min Ha, Jin Woo So)
	Election of inside directors	Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho)
	Election of independent directors	Approved (Jay Young Chung, Jae Ho Cho)
	Election of independent directors as Audit Committee members	
1 <sup>st</sup> Extraordinary Meeting of Shareholders of 2011 (August 31, 2011)	1. Approval of the Spin-off Plan	Approved (Spin-off of SK Planet)
	2. Election of director	Approved (Jun Ho Kim)
28 <sup>th</sup> Fiscal Year Meeting of Shareholders (March 23, 2012)	1. Approval of the financial statements for the year ended December 31, 2011	Approved (Cash dividend, Won 8,400 per share)
		Approved

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

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1.	Approval of the financial statements for the year ended December 31, 2013	Approved (Cash dividend, Won 8,400 per share)
2.	Amendments to Articles of Incorporation	Approved
3.	Election of directors	Approved (Sung Min Ha)
	Election of an inside director	Approved (Jay Young Chung)
	Election of an independent director	Approved (Jae Hoon Lee)
	Election of an independent director	Approved (Jae Hyeon Ahn)
	Election of an independent director	Approved (Jae Hyeon Ahn)
4.	Election of an independent director as Audit Committee member	Approved (Won 12 billion)
5.	Approval of remuneration limit for directors	

30<sup>th</sup> Fiscal Year  
Meeting of  
Shareholders  
(March 21, 2014)

**Table of Contents****2. Contingent Liabilities****[SK Telecom]**

## A. Material Legal Proceedings

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

On May 7, 2010, Korea Music Copyright Association ( KOMCA ) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company filed an appeal at the Supreme Court of Korea and the judgment was overturned on July 11, 2013. The case was remanded down to the appellate court and the Company expects to successfully defend the suit, based on recent decisions in similar suits involving KT and LGU+. While the Company does not expect this litigation to have an immediate impact on the Company s business or results of operation as the final outcome of this litigation has not been determined, the Company may be required to pay increased annual license fees to KOMCA if the final judgment is rendered against the Company.

\* Actual impact on the Company s business and financial condition from the litigation may be different from the Company s expectation stated above.

## B. Other Matters

None.

**[SK Broadband]**

## A. Material Legal Proceedings

## (1) SK Broadband as the plaintiff

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Damages claim against Welcome Savings Bank	March 2014	1,291,533	Pending before district court
Damages claim against Golden Young and others	April 2011	908,166	Pending before appellate court
<b>Total</b>		<b>2,199,699</b>	

## (2) SK Broadband as the defendant

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

## B. Other Contingent Liabilities

## (1) Pledged assets and covenants

SK Broadband, upon approval by its board of directors, has provided guarantees for financial instruments amounting to Won 2,335 million to support employees funding for the Employee Stock Ownership Program.

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



**Table of Contents****[SK Planet]**

## A. Material Legal Proceedings

As of June 30, 2014, there was one pending proceeding with SK Planet as the defendant and the aggregate amount of the claim was Won 78 million. The management cannot reasonably forecast the outcome of this case and no amount in connection with this proceeding was recognized on the Company's financial statements.

## B. Other Contingent Liabilities

None.

**[SK Communications]**

## A. Material Legal Proceedings

As of June 30, 2014, the aggregate amount of claims was Won 2.0 billion. The management cannot reasonably forecast the outcome of the pending cases.

## B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of June 30, 2014 are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Guarantee	Amount
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
Seoul Guarantee Insurance Company	Provisional deposit guarantee insurance for bonds	863,000
Etoos Education Co., Ltd.	Support for production and publication of cartoon series	1,600,000

**[PS&Marketing]**

## A. Other Contingent Liabilities

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

Additionally, PS&Marketing has entered into a credit facility up to Won 27 billion with Shinhan Bank for working capital purposes.

**[NEOS Networks]**

## A. Other Contingent Liabilities

NEOS Networks, has agreed to provide geun mortgage amounting to Won 1.2 billion.

**3. Status of sanctions, etc.****[SK Telecom]**

On September 19, 2011, the Korea Communications Commission imposed on the Company a fine of Won 6.86 billion and issued a correctional order for providing discriminatory subsidies to subscribers. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by January 2012.



## **Table of Contents**

On April 22, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 21 of the Electronic Commerce Act and was imposed a fine of Won 5 million. The Company paid the fine and filed a suit disputing the order of the Fair Trade Commission. The suit is currently pending.

On November 11, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 23 of the Fair Trade Act relating to the transfer of patented technology necessary for the supply of relay facilities. The Company corrected the procedures before receiving the correctional order.

On March 14, 2012, the Company received a correctional order from the Fair Trade Commission of Korea for an alleged violation of Article 23 of the Fair Trade Act relating to the handset subsidy practice and distribution of handsets and was imposed a fine of Won 21,928 million. The Company appealed the order and filed a suit with the administrative court. The suit is currently pending.

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

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

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

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

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

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

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

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

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

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

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

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

On March 13, 2014, the Korea Communications Commission imposed on the Company a fine of Won 16.65 billion, imposed a suspension on acquiring new customers for 7 days, and issued a correctional order for providing discriminatory subsidies to subscribers. In April 2014, the Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by April 2014. The Company plans to suspend acquisition of new customers in the future.

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

[SK Broadband]

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

Date: August 16, 2014

Subject: SK Broadband

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

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

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

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



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(2) Violation of the Telecommunication Business Act

Date: August 21, 2013

Subject Company: SK Broadband

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

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

Status of Implementation: Completed revision of subscription agreements to include material terms and conditions pertaining to high-speed Internet usage. Planning to distribute information sheets on current terms and conditions to new subscribers.

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

(3) Violation of the Telecommunication Business Act

Date: June 5, 2013

Subject Company: SK Broadband

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

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

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

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

(4) Violation of accounting rules

Date: December 13, 2012

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Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

Company's plan: Will improve accounting management system.

(5) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

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

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

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

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

(6) Violation of accounting rules

Date: January 20, 2012

Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

(7) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

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

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

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

Company's Plan: Will improve operating procedures.



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

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

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

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

Status of Implementation: Paid the fine.

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Company's Plan: Provide education to officers and employees and strengthen internal regulations.  
 (9) Violation of the Telecommunication Business Act

Date: February 21, 2011

Subject Company: SK Broadband

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

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

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

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

**4. Important Matters That Occurred After June 30, 2014**

**[SK Telecom]**

On June 24, 2014, the Company entered into a share purchase agreement regarding a purchase of 10,241,722 common shares of Iriver Ltd. from Vogo-Rio Investment Holdings Co., Ltd. and KGF-Rio Limited, and completed the acquisition of shares at a purchase price of Won 29.5 billion.

**5. Use of Proceeds**

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

(As of June 30, 2014)

(Unit: in millions of Won)

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

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

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### **Independent Auditors' Review Report**

#### **Based on a report originally issued in Korean**

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of June 30, 2014, the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013, the condensed consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2014 and 2013, and notes to the interim financial statements.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) No.1034, Interim Financial Reporting, and for such internal controls as management determines necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We did not review the financial statements of SK Broadband Co., Ltd., a domestic subsidiary, and an associate, whose financial statements constitute 11.8% of the Group's consolidated operating revenue and 23.5% of the Group's profit before income tax for the six-month period ended June 30, 2013. Other auditors reviewed those financial statements and our report, insofar as it relates to the amounts included for these entities, is based solely on the reports of other auditors.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial statements consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared fairly, in all material respects, in accordance with K-IFRS No.1034 Interim Financial Reporting.

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### **Highlights**

As discussed in note 36 to the condensed consolidated interim financial statements, the Group disposed of a controlling equity interest in Loen Entertainment, Inc., during the year ended December 31, 2013. The Group presented the results of operations of Loen Entertainment, Inc. as a discontinued operation and accordingly restated the comparative information for the three and six-month period ended June 30, 2013.

### **Other matters**

The consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 21, 2014, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2013, presented for comparative purposes, is not different from that audited by us in all material respects.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

August 8, 2014

This report is effective as of August 8, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of June 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	June 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	33,34	1,331,263	1,398,639
Short-term financial instruments	5,33,34	320,769	311,474
Short-term investment securities	8,33,34	54,198	106,068
Accounts receivable trade, net	6,33,34,35	2,483,091	2,257,316
Short-term loans, net	6,33,34,35	82,967	79,395
Accounts receivable other, net	6,33,34,35	747,478	643,603
Prepaid expenses		113,860	108,909
Derivative financial assets	22,33,34		10
Inventories, net	7	399,899	177,120
Assets held for sale	9	2,611	3,667
Advanced payments and other	6,33,34	56,488	37,214
<b>Total Current Assets</b>		<b>5,592,624</b>	<b>5,123,415</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	5,33,34	8,131	8,142
Long-term investment securities	8,33,34	924,610	968,527
Investments in associates and joint ventures	12	5,602,137	5,325,297
Property and equipment, net	13,35,37	10,057,105	10,196,607
Investment property, net	14	16,053	15,811
Goodwill	10,15	1,751,075	1,733,261
Intangible assets, net	16,35	2,566,599	2,750,782
Long-term loans, net	6,33,34	68,312	57,442
Long-term accounts receivable other	6	2,490	
Long-term prepaid expenses		41,253	32,008
Guarantee deposits	5,6,33,34	280,185	249,600
Long-term derivative financial assets	22,33,34	21,353	41,712
Deferred tax assets	31	25,909	26,322
Other non-current assets	6,33,34	69,813	47,589
<b>Total Non-Current Assets</b>		<b>21,435,025</b>	<b>21,453,100</b>
<b>Total Assets</b>		<b>27,027,649</b>	<b>26,576,515</b>

See accompany notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	June 30, 2014	December 31, 2013
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	17,33,34	869,500	260,000
Current portion of long-term debt, net	17,18,20,33,34	944,527	1,042,276
Current portion of finance lease liabilities	20,33,34	11,248	19,351
Current portion of long-term accounts payables other	18,33,34	187,444	206,800
Accounts payable trade	33,34,35	417,181	214,716
Accounts payable other	33,34,35	1,114,834	1,864,024
Withholdings	33,34	970,277	728,936
Accrued expenses	33,34	953,562	988,193
Income tax payable	31	63,270	112,316
Unearned revenue		400,564	441,731
Derivative financial liabilities	22	33,122	21,171
Provisions	19	75,855	66,775
Advanced receipts and other		121,286	102,931
<b>Total Current Liabilities</b>		<b>6,162,670</b>	<b>6,069,220</b>
<b>Non-Current Liabilities:</b>			
Debentures, net, excluding current portion	17,33,34	5,147,268	4,905,579
Long-term borrowings, excluding current portion	17,33,34	104,675	104,808
Long-term payables other	18,33,34	660,963	838,585
Long-term unearned revenue		35,139	50,894
Finance lease liabilities	20,33,34	1,757	3,867
Defined benefit liabilities	21	125,829	74,201
Long-term derivative financial liabilities	22,33,34	183,561	103,168
Long-term provisions	19	56,052	28,106
Deferred tax liabilities	31	280,458	168,825
Other non-current liabilities	33,34	66,097	62,705
<b>Total Non-Current Liabilities</b>		<b>6,661,799</b>	<b>6,340,738</b>
<b>Total Liabilities</b>		<b>12,824,469</b>	<b>12,409,958</b>
<b>Equity</b>			
Share capital	1,23	44,639	44,639
Capital surplus and other capital adjustments	23,24,25	288,726	317,508
Retained earnings	26	13,254,623	13,102,495
Reserves	27	(94,064)	(12,270)
<b>Equity attributable to owners of the Parent Company</b>		<b>13,493,924</b>	<b>13,452,372</b>
<b>Non-controlling interests</b>		<b>709,256</b>	<b>714,185</b>
<b>Total Equity</b>		<b>14,203,180</b>	<b>14,166,557</b>



**Total Liabilities and Equity**

**27,027,649**

**26,576,515**

*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three and six-month periods ended June 30, 2014 and 2013

*(In millions of won except for per share data)*

	Note	June 30, 2014		June 30, 2013	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
<b>Continuing operations</b>					
<b>Operating revenue:</b>	4,35				
Revenue		4,305,368	8,507,288	4,116,965	8,182,619
<b>Operating expense:</b>	35				
Labor cost		401,137	830,276	359,179	803,163
Commissions paid		1,364,310	2,991,953	1,360,159	2,783,043
Depreciation and amortization	4,13,14,16	668,435	1,324,263	670,615	1,308,493
Network interconnection		280,736	556,533	252,293	504,842
Leased lines		101,176	207,337	116,602	230,230
Advertising		99,883	185,233	108,791	172,170
Rent		113,376	222,576	110,762	221,055
Cost of products that have been resold		393,957	729,654	305,296	624,140
Other operating expenses	28	336,264	660,973	287,823	585,511
Sub-total		3,759,274	7,708,798	3,571,520	7,232,647
<b>Operating income</b>	3,4	<b>546,094</b>	<b>798,490</b>	<b>545,445</b>	<b>949,972</b>
Finance income	4,30	35,167	75,162	27,428	64,290
Finance costs	4,30	(110,919)	(199,699)	(162,825)	(311,575)
Gains relating to investments in subsidiaries, associates and joint ventures, net	4,12	149,647	294,702	189,521	349,603
Other non-operating income	3,4,29	16,731	36,574	24,372	38,211
Other non-operating expense	3,4,29	(28,714)	(64,646)	(31,032)	(77,625)
<b>Profit before income tax</b>	4	<b>608,006</b>	<b>940,583</b>	<b>592,909</b>	<b>1,012,876</b>
Income tax expense from continuing operations	31	110,367	175,635	131,141	211,134
<b>Profit from continuing operations</b>		<b>497,639</b>	<b>764,948</b>	<b>461,768</b>	<b>801,742</b>
<b>Discontinued operation</b>					
Gains from discontinued operation, net of income taxes	36			5,943	11,903
<b>Profit for the period</b>		<b>497,639</b>	<b>764,948</b>	<b>467,711</b>	<b>813,645</b>
Attributable to :					
Owners of the Parent Company		498,536	768,350	466,645	820,799
Non-controlling interests		(897)	(3,402)	1,066	(7,154)
<b>Earnings per share (in won)</b>					
Basic earnings per share	32	6,909	10,713	6,663	11,747
Diluted earnings per share	32	6,909	10,713	6,663	11,747
<b>Earnings per share Continuing operations (in won)</b>					
Basic earnings per share	32	6,909	10,713	6,606	11,632

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Diluted earnings per share	32	6,909	10,713	6,606	11,632
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*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2014 and 2013

*(In millions of won)*

	Note	June 30, 2014		June 30, 2013	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
<b>Profit for the period</b>		<b>497,639</b>	<b>764,948</b>	<b>467,711</b>	<b>813,645</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	21	(7,841)	(11,994)	(2,522)	(5,605)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	27,30	13,579	(537)	(32,168)	(51,405)
Net change in other comprehensive income of investments in associates and joint ventures	27	(52,638)	(53,469)	50,514	99,478
Net change in unrealized fair value of derivatives	27,30	(23,433)	(18,813)	(56,642)	(64,092)
Foreign currency translation differences for foreign operations	27	(12,023)	(10,416)	7,847	14,055
<b>Total other comprehensive loss, net of taxes</b>		<b>(82,356)</b>	<b>(95,229)</b>	<b>(32,971)</b>	<b>(7,569)</b>
<b>Total comprehensive income</b>		<b>415,283</b>	<b>669,719</b>	<b>434,740</b>	<b>806,076</b>
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		417,499	674,619	434,441	813,317
Non-controlling interests		(2,216)	(4,900)	299	(7,241)

*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2014 and 2013

*(In millions of won)*

	Controlling Interest				Sub-total	Non-controlling interests	Total equity
	Share capital	Capital surplus (deficit) and other capital adjustments	Retained earnings	Reserves			
<b>Balance, January 1, 2013</b>	<b>44,639</b>	<b>(288,883)</b>	<b>12,124,657</b>	<b>(25,636)</b>	<b>11,854,777</b>	<b>1,000,005</b>	<b>12,854,782</b>
Cash dividends			(585,438)		(585,438)	(2,242)	(587,680)
Total comprehensive income							
Profit (loss) for the period			820,799		820,799	(7,154)	813,645
Other comprehensive loss			(5,588)	(1,894)	(7,482)	(87)	(7,569)
Issuance of hybrid bond		398,518			398,518		398,518
Interest on hybrid bond			(1,058)		(1,058)		(1,058)
Treasury stock		176,085			176,085		176,085
Business combination under common control		(61,854)			(61,854)		(61,854)
Changes in ownership in subsidiaries		(2,002)			(2,002)	(206,414)	(208,416)
<b>Balance, June 30, 2013</b>	<b>44,639</b>	<b>221,864</b>	<b>12,353,372</b>	<b>(27,530)</b>	<b>12,592,345</b>	<b>784,108</b>	<b>13,376,453</b>
<b>Balance, January 1, 2014</b>	<b>44,639</b>	<b>317,508</b>	<b>13,102,495</b>	<b>(12,270)</b>	<b>13,452,372</b>	<b>714,185</b>	<b>14,166,557</b>
Cash dividends			(595,865)		(595,865)	(170)	(596,035)
Total Comprehensive Income							
Profit (loss) for the period			768,350		768,350	(3,402)	764,948
Other comprehensive loss			(11,937)	(81,794)	(93,731)	(1,498)	(95,229)
Interest on hybrid bond			(8,420)		(8,420)		(8,420)
Business combination under common control		(28,641)			(28,641)		(28,641)
Changes in ownership in subsidiaries		(141)			(141)	141	
<b>Balance, June 30, 2014</b>	<b>44,639</b>	<b>288,726</b>	<b>13,254,623</b>	<b>(94,064)</b>	<b>13,493,924</b>	<b>709,256</b>	<b>14,203,180</b>

*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2014 and 2013

<i>(In millions of won)</i>	Note	June 30, 2014	June 30, 2013
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		764,948	813,645
Adjustments for income and expenses	38	1,528,742	1,615,747
Changes in assets and liabilities related to operating activities	38	(710,051)	(885,694)
Sub-total		1,583,639	1,543,698
Interest received		23,348	30,806
Dividends received		10,567	10,197
Interest paid		(141,322)	(161,347)
Income tax paid		(100,204)	(48,777)
<b>Net cash provided by operating activities</b>		<b>1,376,028</b>	<b>1,374,577</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net			145,242
Decrease in short-term investment securities, net		55,007	
Collection of short-term loans		73,766	173,811
Proceeds from disposal of long-term financial instruments		11	15
Proceeds from disposal of long-term investment securities		47,431	175,788
Proceeds from disposal of investments in associates and joint ventures		4	1,250
Proceeds from disposal of property and equipment		4,049	6,782
Proceeds from disposal of intangible assets		1,441	1,068
Proceeds from disposal of assets held for sale		1,056	190,393
Collection of long-term loans		2,398	9,577
Decrease of deposits		4,136	7,274
Proceeds from disposal of other non-current assets		90	1,197
Proceeds from disposal of a subsidiary			7,221
Sub-total		189,389	719,618
Cash outflows for investing activities:			
Increase in short-term financial instruments, net		(9,379)	
Increase in short-term investment securities, net			(5,006)
Increase in short-term loans		(88,101)	(168,592)
Increase in long-term loans		(2,450)	(1,647)
Increase in long-term financial instruments			(4)
Acquisition of long-term investment securities		(19,805)	(10,463)
Acquisition of investments in associates and			
joint ventures		(29,809)	(66,532)
Acquisition of property and equipment		(1,331,556)	(1,085,500)
Acquisition of intangible assets		(38,114)	(46,563)
Increase in deposits		(2,643)	(13,758)
Increase in other non-current assets			(6,645)
Acquisition of business, net of cash acquired		(118,667)	(94,805)

Sub-total	(1,640,524)	(1,499,515)
<b>Net cash used in investing activities</b>	<b>(1,451,135)</b>	<b>(779,897)</b>

*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2014 and 2013

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	608,000	44,000
Issuance of debentures	627,970	1,014,859
Proceeds from long-term borrowings	13,552	8,600
Issuance of hybrid bond		398,518
Cash inflows from settlement of derivatives	119	2,267
Sub-total	1,249,641	1,468,244
Cash outflows for financing activities:		
Repayment of short-term borrowings		(583,745)
Repayment of long-term account payables other	(207,668)	(161,575)
Repayment of debentures	(406,149)	
Repayment of long-term borrowings	(11,916)	(355,122)
Cash outflows from settlement of derivatives	(373)	
Payment of finance lease liabilities	(10,250)	(10,389)
Payment of dividends	(595,865)	(587,680)
Payment of interest on hybrid bond	(8,420)	
Cash paid for transactions with non-controlling interest		(3,871)
Sub-total	(1,240,641)	(1,702,382)
<b>Net cash provided by (used in) financing activities</b>	<b>9,000</b>	<b>(234,138)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(66,107)</b>	<b>360,542</b>
Cash and cash equivalents at beginning of the period	1,398,639	920,125
Effects of exchange rate changes on cash and cash equivalents	(1,269)	2,076
<b>Cash and cash equivalents at end of the period</b>	<b>1,331,263</b>	<b>1,282,743</b>

*See accompanying notes to the condensed consolidated interim financial statements.*



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity**

## (1) General

SK Telecom Co., Ltd. ( the Parent Company ) was incorporated in March 1984 under the laws of the Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Parent Company mainly provides wireless telecommunications in Korea. The Parent Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2014, the Parent Company s total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority stockholders	50,572,884	62.63
Treasury stock	9,809,375	12.15
Total number of shares	80,745,711	100.00

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

## (2) List of subsidiaries

The list of subsidiaries as of June 30, 2014 and December 31, 2013 is as follows:

Subsidiary	Location	Primary business	Ownership(%)	
			June 30, 2014	December 31, 2013
SK Telink Co., Ltd.	Korea	Telecommunication service	83.5	83.5
M& Service Co., Ltd.	Korea	Database and online information agency	100.0	100.0
SK Communications Co., Ltd.	Korea	Internet website services	64.6	64.6
Stonebridge Cinema Fund	Korea	Investment association	56.0	56.0
Commerce Planet Co., Ltd.	Korea	Online shopping mall operation agency	100.0	100.0
SK Broadband Co., Ltd.	Korea	Telecommunication services	50.6	50.6
K-net Culture and Contents Venture Fund	Korea	Investment association	59.0	59.0
Fitech Focus Limited Partnership II	Korea	Investment association	66.7	66.7
Open Innovation Fund	Korea	Investment association	98.9	98.9
PS&Marketing Corporation	Korea	Communications device retail business	100.0	100.0
Service Ace Co., Ltd.	Korea	Customer center management service	100.0	100.0
Service Top Co., Ltd.	Korea	Customer center management service	100.0	100.0
Network O&S Co., Ltd.	Korea	Base station maintenance service	100.0	100.0
BNCP Co., Ltd.	Korea	Internet website services	100.0	100.0



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity, Continued**

(2) List of subsidiaries, Continued

Subsidiary	Location	Primary business	Ownership(%)	
			June 30, 2014	December 31, 2013
SK Planet Co., Ltd.	Korea	Telecommunication service	100.0	100.0
Neosnetworks Co., Ltd.(*1)	Korea	Guarding of facilities	66.7(*2)	
SK Telecom China Holdings Co., Ltd.	China	Investment association	100.0	100.0
Shenzhen E-eye High Tech Co., Ltd.	China	Manufacturing	65.5	65.5
SK Global Healthcare Business Group., Ltd.	Hong Kong	Investment association	100.0	100.0
SK Planet Japan	Japan	Digital contents sourcing service	100.0	100.0
SKT Vietnam PTE. Ltd.	Singapore	Telecommunication service	73.3	73.3
SK Planet Global PTE. Ltd.	Singapore	Digital contents sourcing service	100.0	100.0
SKP GLOBAL HOLDINGS PTE. LTD.	Singapore	Investment association	100.0	100.0
SKT Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
SKP America LLC.	USA	Digital contents sourcing service	100.0	100.0
YTK Investment Ltd.	Cayman	Investment association	100.0	100.0
Atlas Investment	Cayman	Investment association	100.0	100.0
Technology Innovation Partners, LP	USA	Investment association	100.0	100.0
SK Telecom China Fund I L.P.	Cayman	Investment association	100.0	100.0

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

(\*2) Due to the shareholders' agreement which grants put option to the non-controlling shareholders, this entity is consolidated as a wholly owned subsidiary in the consolidated financial statements. (Refer to Note 10)

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity, Continued**

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the six-month period ended June 30, 2014 is as follows:

*(In millions of won)*

<b>Subsidiary</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity (deficit)</b>	<b>Revenue</b>	<b>Profit (loss)</b>
SK Telink Co., Ltd.	294,028	162,212	131,816	228,125	5,190
M& Service Co., Ltd.	72,675	32,471	40,204	63,580	4,538
SK Communications Co., Ltd.	187,238	45,939	141,299	47,769	(10,632)
Stonebridge Cinema Fund	12,077	382	11,695		98
Commerce Planet Co., Ltd.	25,739	27,024	(1,285)	31,080	285
SK Broadband Co., Ltd.	3,031,748	1,904,985	1,126,763	1,289,652	1,411
K-net Culture and Contents Venture Fund	15,863	7	15,856		(313)
Fitech Focus Limited Partnership II	19,744		19,744		(1,634)
Open Innovation Fund	26,050		26,050		(1,973)
PS&Marketing Corporation	709,403	506,473	202,930	705,905	(3,846)
Service Ace Co., Ltd.	64,695	38,505	26,190	97,659	1,184
Service Top Co., Ltd.	59,668	38,358	21,310	87,721	4,416
Network O&S Co., Ltd.	60,830	33,105	27,725	101,143	3,525
BNCP Co., Ltd.	10,837	6,202	4,635	6,682	(1,040)
SK Planet Co., Ltd.	2,544,743	742,864	1,801,879	709,050	1,686
Neosnetworks Co., Ltd.(*1)	29,843	8,599	21,244	15,234	872
SK Telecom China Holdings Co., Ltd.	34,658	644	34,014	5,967	656
Shenzhen E-eye High Tech Co., Ltd.	15,616	721	14,895	2,296	(154)
SK Global Healthcare Business Group., Ltd.	26,599		26,599		(16)
SK Planet Japan	4,412	49	4,363	21	(486)
SKT Vietnam PTE. Ltd.	3,916	1,086	2,830		33
SK Planet Global PTE. Ltd.	1,807	247	1,560	9	(767)
SKP GLOBAL HOLDINGS PTE. LTD.	17,577	25	17,552		(2,786)
SKT Americas, Inc.	33,790	247	33,543	4,826	223
SKP America LLC.	43,802		43,802		
YTK Investment Ltd.	40,485		40,485		
Atlas Investment(*2)	60,125	132	59,993		(2,179)

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

(\*2) The condensed financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity, Continued**

(3) Condensed financial information of subsidiaries, Continued

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

*(In millions of won)*

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

(\*1) The condensed financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity, Continued**

## (4) Changes in subsidiaries

Neosnetworks Co., Ltd. was newly included in the list of subsidiaries as the Group acquired controlling ownership interest in Neosnetworks Co., Ltd. There have been no changes to other subsidiaries during the six-month period ended June 30, 2014.

(5) The information of significant non-controlling interests of consolidated entities as of and for the six-month period ended June 30, 2014, and as of and for the year ended December 31, 2013 is as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	
	SK Communications Co., Ltd.	SK Broadband Co., Ltd.
Ownership of non-controlling interests (%)	35.4	49.4
Current assets	97,275	525,084
Non-current assets	89,963	2,506,664
Current liabilities	(43,913)	(750,591)
Non-current liabilities	(2,026)	(1,154,394)
Net assets	141,299	1,126,763
Adjustment for fair value		112,520
Net assets of consolidated entities	141,299	1,239,283
Carrying amount of non-controlling interests	50,101	612,658
Revenue	47,769	1,289,652
Profit (loss) for the period	(10,632)	1,411
Amortization of adjustment for fair value		(958)
Profit (loss) of the consolidated entities	(10,632)	453
Total comprehensive loss	(10,738)	(1,824)
Profit (loss) attributable to non-controlling interests	(3,770)	224
Net cash provided by (used in) operating activities	(2,672)	234,313
Net cash provided by (used in) investing activities	284	(274,911)
Net cash provided by financing activities		53,346
Net increase (decrease) in cash and cash equivalents	(2,388)	12,748

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity, Continued***(In millions of won)*

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

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Notes to the Condensed Consolidated Interim Financial Statements

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### **2. Basis of Preparation**

#### (1) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ( K-IFRS ), as prescribed in *the Act on External Audits of Stock Companies*.

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2013. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

#### (2) Use of estimates and judgments

##### 1) Assumptions and estimation uncertainties

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2013.

##### 2) Fair value measurement

The Group establishes fair value measurement policies and procedures as its accounting policies and disclosures require fair value measurements for the majority of financial and non-financial assets and liabilities. Such policies and procedures are executed by the valuation division, which is responsible for the review of significant fair value measurements including fair value classified as level 3 in the fair value hierarchy and the results of which are directly reported to the finance executive.

The valuation division regularly reviews unobservable significant inputs and valuation adjustments. If third party information such as prices available from an exchange, dealer, broker, industry group, pricing service or regulatory agency is used for fair value measurements, the valuation division reviews whether the valuation based on third party information includes classification by levels within the fair value hierarchy and meets the requirements for the relevant standards.



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**2. Basis of Preparation, Continued**

The Group uses the best observable inputs in market when measuring fair values of assets or liabilities. Fair values are classified within the fair value hierarchy based on inputs used in valuation method, as follows:

- ü Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- ü Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- ü Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If various inputs used to measure fair value of assets or liabilities are transferred between levels of the fair value hierarchy, the Group classifies the assets and liabilities at the lowest level of inputs among the fair value hierarchy which is significant to the entire measured value and recognizes transfers between levels at the end of the reporting period of which such transfers occurred.

Information about assumptions used for fair value measurements are included in Note 34.

(3) Common control transactions

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

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### **3. Significant Accounting Policies**

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2013. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2014.

(1) Changes in accounting policies

1) Offsetting financial assets and financial liabilities

The Group has applied the amendments to K-IFRS No.1032, Financial instruments: Presentation since January 1, 2014. This standard requires financial assets and financial liabilities being offset and the presentation of financial assets and financial liabilities on a net basis when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right of set-off that cannot be contingent on a future event, and must be legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) an event of default; and (iii) an event of insolvency or bankruptcy of the entity or any of the counterparties.

To meet the net settlement criterion, all settlements need to remove or reduce credit risk or liquidity risk as minor level. In case of single payment or payment period which can handle bonds and payables, settlement result needs to be paid as same as practical settle net.

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

### **4. Operating Segments**

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

Cellular services include cellular voice service, wireless data service and wireless internet services. Fixed-line telecommunication services include telephone services, internet services, and leased line services. Other includes the Group's Internet portal services, game manufacturing and other immaterial operations.

Segment information of the Group for the six-month period ended June 30, 2013 has been retrospectively restated to exclude discontinued operations.

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**4. Operating Segments, Continued**

(1) Details of the segment information as of and for the six-month period ended June 30, 2014 are as follows:

*(In millions of won)*

	<b>Cellular Services</b>	<b>Fixed-line Telecommunication services</b>	<b>Other</b>	<b>Sub-total</b>	<b>Consolidation adjustments</b>	<b>Consolidated amount</b>
Total revenue	7,520,742	1,517,777	878,927	9,917,446	(1,410,158)	8,507,288
Inter-segment revenue	745,251	289,670	375,237	1,410,158	(1,410,158)	
External revenue	6,775,491	1,228,107	503,690	8,507,288		8,507,288
Depreciation and amortization	1,035,809	247,530	40,924	1,324,263		1,324,263
Operating income (loss)	788,831	25,865	(16,206)	798,490		798,490
Finance income (cost), net						(124,537)
Gain relating to investments in subsidiaries, associates and joint ventures, net						294,702
Other non-operating income (expense), net						(28,702)
Profit from continuing operations before income tax						940,583
Total assets	23,386,690	3,325,776	3,089,274	29,801,740	(2,774,091)	27,027,649
Total liabilities	9,958,215	2,067,197	866,318	12,891,730	(67,261)	12,824,469

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**4. Operating Segments, Continued**

(2) Details of the segment information as of and for the six-month period ended June 30, 2013 are as follows:

*(In millions of won)*

	Cellular Services	Fixed-line Telecommunication services	Other	Sub-total	Consolidation adjustments	Consolidated amount
Total revenue	7,150,041	1,426,555	814,214	9,390,810	(1,208,191)	8,182,619
Inter-segment revenue	579,738	277,619	350,834	1,208,191	(1,208,191)	
External revenue	6,570,303	1,148,936	463,380	8,182,619		8,182,619
Depreciation and amortization	988,647	260,760	59,086	1,308,493		1,308,493
Operating income (loss)	960,838	22,598	(33,464)	949,972		949,972
Finance income (cost), net						(247,285)
Gain relating to investments in subsidiaries, associates and joint ventures, net						349,603
Other non-operating income (expense), net						(39,414)
Profit from continuing operations before income tax						1,012,876
Total assets	22,626,393	3,094,795	3,122,979	28,844,167	(3,407,759)	25,436,408
Total liabilities	9,553,776	1,856,430	953,417	12,363,623	(303,668)	12,059,955

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

No single customer contributed 10% or more to the Group's total revenue for the six-month periods ended June 30, 2014 and 2013.

**5. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2014 and December 31, 2013 are summarized as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Short-term financial instruments(*)	78,885	81,634
Long-term financial instruments(*)	7,595	7,589
Guarantee deposits	40	40
	86,520	89,263

(\*) Financial instruments include charitable trust fund established by the Group. Profits from this charitable fund are donated to charitable institutions. As of June 30, 2014, the fund cannot be withdrawn.

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**6. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>		
	<b>Gross amount</b>	<b>Allowances for impairment</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable trade	2,710,738	(227,647)	2,483,091
Short-term loans	83,736	(769)	82,967
Accounts receivable other	822,477	(74,999)	747,478
Accrued income	14,381	(28)	14,353
Others	3,033		3,033
	<b>3,634,365</b>	<b>(303,443)</b>	<b>3,330,922</b>
<b>Non-current assets:</b>			
Long-term loans	94,897	(26,585)	68,312
Long-term accounts receivable other	2,490		2,490
Guarantee deposits	280,185		280,185
Long-term accounts receivable trade	12,874		12,874
	<b>390,446</b>	<b>(26,585)</b>	<b>363,861</b>
	<b>4,024,811</b>	<b>(330,028)</b>	<b>3,694,783</b>

*(In millions of won)*

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



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For the six-month periods ended June 30, 2014 and 2013

**6. Trade and Other Receivables, Continued**

- (2) The movements in allowances for doubtful accounts of trade and other receivables during the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Balance at January 1	323,984	300,668
Increase of bad debt	31,678	46,967
Write-off	(38,532)	(39,337)
Others	12,898	13,351
<b>Balance at June 30</b>	<b>330,028</b>	<b>321,649</b>

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Accounts receivable - trade</b>	<b>Other receivables</b>	<b>Accounts receivable - trade</b>	<b>Other receivables</b>
Neither overdue nor impaired	1,926,629	1,149,151	1,882,607	938,131
Overdue but not impaired	61,980	1,925	46,773	2,030
Impaired	735,003	150,123	565,775	203,667
	2,723,612	1,301,199	2,495,155	1,143,828
Allowance for doubtful accounts	(227,647)	(102,381)	(224,685)	(99,299)
	2,495,965	1,198,818	2,270,470	1,044,529

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

- (4) The aging of overdue but not impaired accounts receivable as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
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	Accounts receivable - trade	Accounts receivable - other	Accounts receivable - trade	Accounts receivable - other
Less than 1 month	30,264	5	12,036	20
1 ~ 3 months	11,809	647	15,686	1,220
3 ~ 6 months	4,573	397	3,610	516
More than 6 months	15,334	876	15,441	274
	61,980	1,925	46,773	2,030

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**7. Inventories**

Details of inventories as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014			December 31, 2013		
	Acquisition cost	Write-down of inventory	Carrying amount	Acquisition cost	Write-down of inventory	Carrying amount
Merchandise	391,121	(4,697)	386,424	165,080	(3,152)	161,928
Finished goods	1,911		1,911	1,711	(34)	1,677
Raw materials and supplies	11,564		11,564	13,515		13,515
	404,596	(4,697)	399,899	180,306	(3,186)	177,120

**8. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Beneficiary certificates(*)	48,125	102,828
Current portion of long-term investment securities	6,073	3,240
	54,198	106,068

(\*) The interest distributions arising from beneficiary certificates as of June 30, 2014 were accounted for as accrued income.

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**8. Investment Securities, Continued**

(2) Details of long-term investment securities as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
<b>Equity securities:</b>		
Marketable equity securities	630,723	638,445
Unlisted equity securities	51,181	47,145
Equity investments	206,191	239,354
	888,095	924,944
<b>Debt securities:</b>		
Public bonds(*1)	353	356
Investment bonds(*2)	42,235	46,467
	42,588	46,823
Total	930,683	971,767
Less current portion of long-term investment securities	(6,073)	(3,240)
<b>Long-term investment securities</b>	<b>924,610</b>	<b>968,527</b>

(\*1) Details of maturity for the public bonds as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Less than 1 year	353	356

(\*2) During the six-month period ended June 30, 2014, the Parent Company exercised the conversion right for the convertible bonds of NanoEnTek, Inc., which were classified as financial assets at fair value through profit or loss. As a result of this transaction, investments in associates have increased by 19,180 million and the difference between carrying amount of the financial assets at fair value and fair value of 1,352 million is accounted for as finance costs.

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**9. Assets Held for Sale**

Non-current assets held for sale as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Investments in associates		
TR Entertainment(*1)	2,611	2,611
SK Fans Co., Ltd.(*2)		1,056
	2,611	3,667

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

(\*2) For the year ended December 31, 2013, contract changes for SK Fans Co., Ltd. has been made and the Group recognized the difference between the changes and the existing contractual amount as impairment loss. For the six-month period ended June 30, 2014, the Group disposed of its investments in SK Fans Co., Ltd. in 2014.

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**10. Acquisition of Subsidiary****(1) General information**

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

Neosnetworks Co., Ltd. recognized revenue of 7,676 million and profit of 584 million, respectively, from the acquisition date to June 30, 2014.

**(2) Consideration paid and identifiable assets and liabilities transferred**

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

*(In millions of won)*

	<b>April 2, 2014</b>
<b>Consideration paid</b>	
Cash and cash equivalents	23,968
Account payables other (*)	14,500
	38,468
<b>Assets and liabilities in succession</b>	
Cash and cash equivalents	16,631
Accounts receivable trade, net	111
Property, equipment and intangible assets	11,489
Investment securities	132
Other assets	1,157
Accounts payable trade	(3,411)
Borrowings and debentures	(2,150)
Other liabilities	(3,305)
	20,654

(\*) During the 6 months ended June 30, 2014, the Parent Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Parent Company entered into a shareholders' agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Parent Company for those shares if certain conditions are met. In accordance with this shareholders' agreement, the Group assumed that the residual equity of the pre-existing shareholders were obtained on the acquisition date, and the amount to be paid to the pre-existing shareholders for this acquisition in the future was recorded as account payables-other.



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**11. Business combination under common control****(1) General information**

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

From the acquisition date to June 30, 2014, PS&Marketing Corporation recognized revenue of 152,479 million and profit of 975 million, respectively, relating to the acquired retail distribution business.

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

Prior to the acquisition, the Parent Company owns 50% ownership of SK Marketing & Company Co., Ltd. After obtaining the control over SK Marketing & Company Co., Ltd, the Parent Company acquired the shares of SK Planet Co., Ltd. by investing its ownership interest of 100% of SK Marketing & Company Co., Ltd. as a form of investment in kind. On February 1, 2013, SK Planet Co., Ltd. merged SK Marketing & Company Co., Ltd.

As the business combination occurred during the six-month period ended June 30, 2013 was a business combination between entities under common control, the difference between the consideration and book value of net assets was recognized as capital deficit and other capital adjustments.

**(2) Consideration paid and identifiable assets and liabilities transferred***(In millions of won)*

	<b>Jun 30, 2014</b>	<b>Jun 30, 2013</b>
<b>Consideration paid</b>		
Cash and cash equivalents	111,330	190,605
Investments in associates (carrying value)		141,534
Accounts payables other	13,156	
	<b>124,486</b>	<b>332,139</b>
<b>Identifiable assets and liabilities transferred</b>		
Cash and cash equivalents		95,800
Accounts receivable trade, net	57,760	132,514
Inventories	94,441	3,472
Property, equipment and intangible assets	13,010	68,699
Other assets	23,281	457,431
Accounts payable trade	(78,821)	(150,014)
Other liabilities	(13,826)	(337,617)
	<b>95,845</b>	<b>270,285</b>





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**12. Investments in Associates and Joint Ventures**

- (1) Investments in associates and joint ventures accounted for using the equity method as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	Country	June 30, 2014		December 31, 2013	
		Ownership percentage	Carrying amount	Ownership percentage	Carrying amount
<b>Investments in associates</b>					
SK China Company Ltd.(*1)	China	9.6	34,732	9.6	37,434
Korea IT Fund(*2)	Korea	63.3	233,218	63.3	231,402
Etoos Co., Ltd.(*3)	Korea			15.6	12,029
HanaSK Card Co., Ltd.	Korea	49.0	376,817	49.0	378,616
Candle Media Co., Ltd.(*4)	Korea	36.5	18,999	40.9	21,241
NanoEnTek, Inc.(*5)	Korea	26.0	36,279	9.2	9,312
SK Industrial Development China Co., Ltd.	Hongkong	21.0	74,720	21.0	77,517
Packet One Network	Malaysia	27.0	53,580	27.0	60,706
SK Technology Innovation Company	Cayman	49.0	50,324	49.0	53,874
HappyNarae Co., Ltd.	Korea	42.5	14,834	42.5	13,935
SK hynix Inc.(*6)	Korea	20.4	4,224,260	20.6	3,943,232
SK MENA Investment B.V.	Nederland	32.1	12,955	32.1	13,477
SKY Property Mgmt. Ltd.	Virgin Islands	33.0	232,257	33.0	238,278
Xinan Tianlong Science and Technology Co., Ltd.	China	49.0	26,546	49.0	26,562
Daehan Kanggun BcN Co., Ltd. and others			160,180		164,976
Sub-total			5,549,701		5,282,591
<b>Investments in joint ventures</b>					
Dogus Planet, Inc.(*7)	Turkey	50.0	24,081	50.0	10,105
PT. Melon Indonesia	Indonesia	49.0	3,304	49.0	3,230
Television Media Korea Ltd.	Korea	51.0	7,516	51.0	8,659
PT XL Planet Digital	Indonesia	50.0	17,535	50.0	20,712
Sub-total			52,436		42,706
Total			5,602,137		5,325,297

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**12. Investments in Associates and Joint Ventures, Continued**

- (\*1) The Group classified the investments in SK China Company Ltd as investments in associates as the Group can exercise significant influence on these investees through participation of their board of directors.
- (\*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.
- (\*3) Reclassified as available-for-sale financial assets in 2014 as the Group lost the right to appoint directors of this investee and lost significant influence on the investee.
- (\*4) Ownership percentage has reduced due to disproportionate paid-in capital increase during the six-month period ended June 30, 2014.
- (\*5) The carrying amount has increased due to the additional investment and the conversion of convertible bonds during the six-month period ended June 30, 2014.
- (\*6) Ownership percentage has been decreased due to the conversion of convertible bonds issued by SK hynix Inc.
- (\*7) The carrying amount has increased due to additional investment during the six-month period ended June 30, 2014.

- (2) There is no joint venture listed publicly and the market price of investments in associates listed publicly as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, except for share and per share data)*

	June 30, 2014			December 31, 2013		
	Market value per share	Number of shares held	Market price	Market value per share	Number of shares held	Market price
Candle Media Co., Ltd.	888	21,620,360	19,199	810	21,620,360	17,512
NanoEnTek, Inc.	6,400	5,870,290	37,570	5,170	1,807,130	9,343
SK hynix Inc.	48,550	146,100,000	7,093,155	36,800	146,100,000	5,376,480

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For the six-month periods ended June 30, 2014 and 2013

**12. Investments in Associates and Joint Ventures, Continued**

- (3) The condensed financial information of the major investees as of and for the six-month period ended June 30, 2014 and as of and for the year ended December 31, 2013 are as follows:

*(In millions of won)*

	As of and for the six-month period ended June 30, 2014			
	SK hynix Inc.	HanaSK Card Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
Current assets	7,171,103	3,603,453	133,888	131,655
Non-current assets	15,385,603	666,191	629,480	236,741
Current liabilities	4,853,122	446,934	146,218	
Non-current liabilities	3,093,600	3,134,715	133,666	
Revenue	7,665,565	397,097	39,522	9,033
Profit (loss) from continuing operations	1,476,004	16	7,022	(634)
Other comprehensive loss	(203,077)	(848)	(5,694)	
Total comprehensive income (loss)	1,272,927	(832)	1,328	(634)

*(In millions of won)*

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

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For the six-month periods ended June 30, 2014 and 2013

**12. Investments in Associates and Joint Ventures, Continued**

- (4) The condensed financial information of joint ventures as of and for the six-month period ended June 30, 2014 and as of and for the year ended December 31, 2013 are as follows:

*(In millions of won)***As of and for six-month period ended June 30, 2014**

	Television Media			PT XL
	Korea Ltd.	Dogus Planet, Inc.	PT. Melon Indonesia	Planet Digital
Current assets	16,307	47,598	7,204	31,410
Cash and cash equivalents	2,531	43,000	4,002	30,090
Non-current assets	3,985	10,419	3,246	7,486
Current liabilities	5,662	12,258	3,559	3,839
Account payable, other payables and provisions	5,662	12,258	3,559	3,839
Non-current liabilities	367	48	98	
Account payable, other payables and provisions	367	48	98	
Revenue	7,449	8,554	5,451	8
Depreciation and amortization	(41)	(1,148)	(453)	(118)
Interest income	149	755	125	
Interest expense		(5)		
Income Tax expense				(959)
Profit (loss) from continuing operations	(2,242)	(13,246)	387	(2,929)
Total comprehensive income (loss)	(2,242)	(13,246)	387	(2,929)

*(In millions of won)***As of and for the year ended December 31, 2013**

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

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SK TELECOM CO., LTD. and Subsidiaries

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**12. Investments in Associates and Joint Ventures, Continued**

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

			<b>June 30, 2014</b>		
	<b>Net assets</b>	<b>Ownership</b>	<b>Net assets</b>	<b>Cost-book</b>	<b>Carrying</b>
		<b>interests</b>	<b>attributable</b>	<b>value</b>	<b>amount</b>
		<b>(%)</b>	<b>to the</b>	<b>differentials</b>	
			<b>ownership</b>		
			<b>interests</b>		
<b>Associates:</b>					
SK hynix Inc.(*)	14,610,062	20.4	2,980,452	1,243,808	4,224,260
HanaSK Card Co., Ltd.	687,995	49.0	337,117	39,700	376,817
SKY Property Mgmt. Ltd.(*)	476,793	33.0	157,342	74,915	232,257
Korea IT Fund	368,239	63.3	233,218		233,218

*(In millions of won)*

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**12. Investments in Associates and Joint Ventures, Continued**

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014						
	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Impairment loss	Other increase (decrease)	Ending balance
<b>Investments in associates</b>							
SK China Company Ltd.	37,434		(988)	(1,714)			34,732
Korea IT Fund	231,402		4,370	(2,554)			233,218
Etoos Co., Ltd	12,029		346			(12,375)	
HanaSK Card Co., Ltd.	378,616		(1,156)	(643)			376,817
Candle Media Co., Ltd.	21,241		(1,710)	(41)	(491)		18,999
NanoEnTek, Inc.	9,312	7,778	7	2		19,180	36,279
SK Industrial Development China Co., Ltd.	77,517		2,381	(5,178)			74,720
Packet One Network	60,706		(12,050)	4,924			53,580
SK Technology Innovation Company	53,874		(1,514)	(2,036)			50,324
HappyNarae Co., Ltd.	13,935		970	(71)			14,834
SK hynix Inc.	3,943,232		322,120	(41,092)			4,224,260
SK MENA Investment B.V.	13,477		(3)	(519)			12,955
SKY Property Mgmt. Ltd.	238,278		502	(6,523)			232,257
Xian Tianlong Science and Technology Co., Ltd	26,562		(16)				26,546
Daehan Kanggun BcN Co., Ltd. and others	164,976	2,354	(7,818)	1,634		(966)	160,180
Sub-total	5,282,591	10,132	305,441	(53,811)	(491)	5,839	5,549,701
<b>Investments in joint ventures</b>							
Dogus Planet, Inc.	10,105	19,677	(6,636)	935			24,081
PT. Melon Indonesia	3,230		190	(116)			3,304
Television Media Korea Ltd.	8,659		(1,143)				7,516
PT XL Planet Digital	20,712		(2,780)	(397)			17,535
Sub-total	42,706	19,677	(10,369)	422			52,436
Total	5,325,297	29,809	295,072	(53,389)	(491)	5,839	5,602,137

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For the six-month periods ended June 30, 2014 and 2013

**12. Investments in Associates and Joint Ventures, Continued**

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the six-month periods ended June 30, 2014 and 2013 are as follows, Continued:

*(In millions of won)*

	For the six-month period ended June 30, 2013					Ending balance
	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other comprehensive income (loss)	Other increase (decrease)	
<b>Investments in associates</b>						
SK Marketing & Company Co., Ltd.(*1)	145,333	190,606	(3,955)	155	(332,139)	
SK China Company Ltd.	37,628		(8,706)	10,738		39,660
Korea IT Fund	230,016		1,474	38		231,528
JYP Entertainment Corporation	4,232		1,073	400		5,705
Etoos Co., Ltd	12,037		210			12,247
HanaSK Card Co., Ltd.	378,457		2,010	584		381,051
Candle Media Co., Ltd.	21,935		(933)	(22)	88	21,068
NanoEnTek, Inc.	9,276		98	(66)		9,308
SK Industrial Development China Co., Ltd.	77,967		(797)	5,687		82,857
Packet One Network	88,389		1,024	1,073		90,486
SK Technology Innovation Company	63,559		(2,711)	4,545		65,393
ViKi, Inc.	15,667		(995)	(157)		14,515
HappyNarae Co., Ltd.	13,113		198	2		13,313
SK hynix Inc.	3,328,245		230,004	58,429		3,616,678
SK MENA Investment B.V.	13,666			985		14,651
SKY Property Mgmt. Ltd. (*2)			3,905	16,845	232,703	253,453
Xian Tianlong Science and Technology Co., Ltd.		26,982				26,982
Daehan Kanggun BcN Co., Ltd. and others	170,748	16,871	(4,153)	404	2,665	186,535
Sub-total	4,610,268	234,459	217,746	99,640	(96,683)	5,065,430
<b>Investments in joint ventures</b>						
Dogus Planet, Inc.	6,005	21,428	(6,423)	(354)		20,656
PT. Melon Indonesia	4,447		(293)	193		4,347
Television Media Korea Ltd.	11,757		(1,108)			10,649
Sub-total	22,209	21,428	(7,824)	(161)		35,652
Total	4,632,477	255,887	209,922	99,479	(96,683)	5,101,082

(\*1) The entity was merged into SK Planet Co., Ltd., a subsidiary of the Parent Company during the six-month period ended June 30, 2013.

(\*2) The Group reclassified the investments in SKY Property Mgmt. Ltd. as investments in associates during the six-month period ended June 30, 2013.





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SK TELECOM CO., LTD. and Subsidiaries

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**12. Investments in Associates and Joint Ventures, Continued**

- (7) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of June 30, 2014 are as follows:

<i>(In millions of won)</i>	Unrealized loss		Unrealized change in equity	
	Period ended June 30, 2014	Accumulated	Period ended June 30, 2014	Accumulated
ULand Company Limited		1,553		(3)
Wave City Development Co., Ltd.	733	4,454		334
	733	6,007		331

**13. Property and Equipment**

Changes in property and equipment for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	Beginning balance	For the six-month period ended June 30, 2014						Business acquisition	Ending balance
		Acquisition	Disposal	Transfer	Depreciation	Impairment	Others		
Land	732,206	3,406		14,568			1,493	608	752,281
Buildings	956,691	3,902	(383)	6,816	(24,329)		2,678	947	946,322
Structures	364,951	124		3,483	(16,287)				352,271
Machinery	6,847,059	140,326	(4,514)	828,158	(1,011,543)	(2,929)		7,741	6,804,298
Other	533,181	551,456	(1,474)	(340,107)	(64,800)		4,743	129	683,128
Construction in progress	762,519	316,178	(980)	(558,912)					518,805
	10,196,607	1,015,392	(7,351)	(45,994)	(1,116,959)	(2,929)	8,914	9,425	10,057,105

*(In millions of won)*

	Beginning balance	For the six-month period ended June 30, 2013						Business acquisition	Ending balance
		Acquisition	Disposal	Transfer	Depreciation	Impairment	Others		
Land	704,908	4,597	(14)	4,877				5,192	719,560
Buildings	886,371	45	(99)	11,277	(22,647)			5,025	879,972
Structures	363,484	985	(7)	6,025	(17,539)				352,948
Machinery	6,316,192	109,177	(6,914)	920,779	(983,917)			6,346	6,361,663

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Other	637,212	443,890	(2,192)	(468,165)	(63,630)	6,886	554,001
Construction in progress	804,552	219,548	(5,695)	(508,064)		8,290	518,631
	9,712,719	778,242	(14,921)	(33,271)	(1,087,733)	31,739	9,386,775

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SK TELECOM CO., LTD. and Subsidiaries

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**14. Investment Property**

Changes in investment property for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended June 30, 2014</b>			
	<b>Beginning balance</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending balance</b>
Land	10,822	249		11,071
Buildings	4,989	116	(123)	4,982
	15,811	365	(123)	16,053

<i>(In millions of won)</i>	<b>For the six-month period ended June 30, 2013</b>			
	<b>Beginning balance</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending balance</b>
Land	12,638	(9,732)		2,906
Buildings	14,841	(1,351)	(465)	13,025
	27,479	(11,083)	(465)	15,931

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**15. Goodwill**

(1) Goodwill as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Goodwill related to acquisition of Shinsegi Telecomm, Inc.	1,306,236	1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	358,443	358,443
Other goodwill	86,396	68,582
	1,751,075	1,733,261

(2) Details of changes in goodwill for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	<b>For the six-month period ended June 30,</b>	
	<b>2014</b>	<b>June 30, 2013</b>
Beginning balance	1,733,261	1,744,483
Change of consolidation scope	17,814	1,660
Impairment loss on Goodwill		(9,982)
Other decrease		(2,493)
	1,751,075	1,733,668

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SK TELECOM CO., LTD. and Subsidiaries

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For the six-month periods ended June 30, 2014 and 2013

**16. Intangible Assets**

(1) Details of changes in intangible assets for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014								
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Others	Business acquisition	Ending balance
Frequency use rights	1,664,571				(140,264)				1,524,307
Land use rights	16,590	8,990	(33)		(3,808)		2,258		23,997
Industrial rights	58,763	2,804	(8)		(2,269)	(2)			59,288
Development costs	10,127	158	(25)	62	(1,955)				8,367
Facility usage right	58,828	615	(16)	379	(4,190)				55,616
Customer relations	6,333	272			(1,731)		692	1,702	7,268
Memberships(*1)	128,452	2,690	(44)					267	131,365
Other(*2)	807,118	22,585	(597)	75,631	(149,349)	(235)	1,146	92	756,391
	2,750,782	38,114	(723)	76,072	(303,566)	(237)	4,096	2,061	2,566,599

*(In millions of won)*

	For the six-month period ended June 30, 2013							
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Business acquisition	Ending balance
Frequency use rights	1,693,868				(126,306)			1,567,562
Land use rights	16,062	1,460	(178)		(3,315)			14,029
Industrial rights	60,104	1,243	(75)		(1,859)		(68)	59,345
Development costs	13,420	409			(2,764)	(635)	2,140	12,570
Facility usage rights	65,340	662	(49)		(4,138)			61,815
Customer relations	48,886	283			(20,550)			28,619
Memberships(*1)	118,954	2,755	(664)				8,510	129,555
Other(*2)	673,024	39,751	(270)	101,435	(144,629)	(628)	27,622	696,305
	2,689,658	46,563	(1,236)	101,435	(303,561)	(1,263)	38,204	2,569,800

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

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

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For the six-month periods ended June 30, 2014 and 2013

**16. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of major intangible assets as of June 30, 2014 are as follows:

*(In millions of won)*

	Amount	Description	Commencement of amortization	Completion of amortization
W-CDMA license	246,394	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	40,777	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	283,808	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	942,150	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	11,178	WiBro service	Mar. 2012	Mar. 2019
	1,524,307			

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SK TELECOM CO., LTD. and Subsidiaries

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For the six-month periods ended June 30, 2014 and 2013

**17. Borrowings and Debentures**

(1) Short-term borrowings as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>Lender</b>	<b>Annual interest rate (%)</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Commercial Paper	Woori Bank, etc.	2.67~3.09	515,000	200,000
Short-term borrowings	Kookmin Bank, etc.	3.48~4.58	354,500	60,000
			869,500	260,000

(2) Long-term borrowings as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won and thousands of U.S. dollars)*

<b>Lender</b>	<b>Annual interest rate (%)</b>	<b>Maturity</b>	<b>June 30, 2013</b>	<b>December 31, 2012</b>
Korea Development Bank	3.19	Jun. 16, 2014		1,648
Shinhan Bank	3.19	Jun. 15, 2015	3,424	5,136
Kookmin Bank	3.19	Jun. 15, 2015	6,499	8,124
Kookmin Bank	3.19	Mar. 15, 2017	5,496	5,996
Kookmin Bank	3.19	Mar. 15, 2018	8,600	8,600
Shinhan Bank (*1)	6M bank debenture rate + 1.58	Apr. 30, 2016	10,000	
Woori Bank	4.45	Oct. 05, 2020	625	
Export Kreditnamnden (*2)	1.7	Apr. 29, 2022	93,425	99,975
			(USD 92,098)	(USD 94,736)
Sub-total			128,069	129,479
Less present value discount on long-term borrowings			(2,742)	(3,287)
			125,327	126,192
Less current portion of long-term borrowings			(20,652)	(21,384)
Long-term borrowings			104,675	104,808

(\*1) As of June 30, 2014, the 6M bank debenture rate of Shinhan Bank is 2.68%.

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(\*2) For the year ended December 31, 2013, the Group obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installment on an annual basis from 2014 to 2022.



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**17. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, thousands of U.S. dollars and thousands of other currencies)*

	Purpose	Maturity	Annual interest rate (%)	June 30, 2014	December 31, 2013
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and refinancing fund	2019	3.24	170,000	170,000
Unsecured private bonds		2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	
Unsecured private bonds		2024	3.64	150,000	
Unsecured private bonds(*7)		2029	4.73	53,909	
Unsecured private bonds(*7)		2029	4.72	53,885	
Unsecured private bonds(*1)		2014	4.86		20,000
Unsecured private bonds(*1)		2015	4.62	10,000	10,000
Unsecured private bonds(*2)		2014	4.53		290,000
Unsecured private bonds(*2)		2014	4.40	100,000	100,000
Unsecured private bonds(*2)		2015	4.09	110,000	110,000
Unsecured private bonds(*2)		2015	4.14	110,000	110,000
Unsecured private bonds(*2)		2017	4.28	100,000	100,000
Unsecured private bonds(*2)		2015	3.14	130,000	130,000
Unsecured private bonds(*2)		2017	3.27	120,000	120,000
Unsecured private bonds(*2)		2016	3.05	80,000	
Unsecured private bonds(*2)		2019	3.49	210,000	
Unsecured private bonds(*3)		2015	3.12	10,000	
Unsecured private bonds(*3)		2016	3.24	10,000	
Unsecured private bonds(*3)		2017	3.48	20,000	
Foreign global bonds				405,760	422,120
		2027	6.63	(USD 400,000)	(USD 400,000)
Exchangeable bonds(*6)	Refinancing fund				96,147
		2014	1.75		(USD 91,109)
Floating rate notes(*4)	Operating fund	2014	3M Libor + 1.60	253,600	263,825

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			(USD 250,000)	(USD 250,000)
Floating rate notes(*5)			52,768	54,129
	2014	SOR rate + 1.20	(SGD 65,000)	(SGD 65,000)
Swiss unsecured private bonds			341,529	356,601
	2017	1.75	(CHF 300,000)	(CHF 300,000)
Foreign global bonds			710,080	738,710
	2018	2.13	(USD 700,000)	(USD 700,000)
Australia unsecured private bonds			286,578	281,988
	2017	4.75	(AUD 300,000)	(AUD 300,000)
Floating rate notes(*4)			304,320	316,590
	2020	3M Libor + 0.88	(USD 300,000)	(USD 300,000)
Foreign global bonds(*2)	2018	2.88	304,320	316,590

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**17. Borrowings and Debentures, Continued***(In millions of won, thousands of U.S. dollars and thousands of other currencies)*

	June 30, 2014 (USD 300,000)	December 31, 2013 (USD 300,000)
Sub-total	6,106,749	5,966,700
Less discounts on bonds	(35,606)	(40,229)
	6,071,143	5,926,471
Less current portion of bonds	(923,874)	(1,020,892)
Discounted issue price	5,147,268	4,905,579

(\*1) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.

(\*2) Unsecured private bonds were issued by SK Broadband Co, Ltd., a subsidiary of the Parent Company.

(\*3) Unsecured private bonds were issued by PS&Marketing Corporation, a subsidiary of the Parent Company.

(\*4) As of June 30, 2014, 3M Libor rate is 0.23%.

(\*5) As of June 30, 2014, SOR rate is 0.22%.

(\*6) On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Group may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Group's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Group will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and has been redeemed by cash during the six-month period ended June 30, 2014.

(\*7) The Group settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 7,793 million as of June 30, 2014.

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**18. Long-term Payables other**

(1) Long-term payables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Payables related to acquisition of W-CDMA licenses	649,997	828,721
Other(*)	10,966	9,864
	660,963	838,585

(\*) Other includes vested compensation claims of employees who have rendered long-term service, etc.

(2) As of June 30, 2014 and December 31, 2013, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequencies and other details are as follows (Refer to Note 16):

*(In millions of won)*

	Period of repayment	Coupon rate	Annual effective interest rate(*)	June 30, 2014	December 31, 2013
2.1GHz	2012~2014	3.58%	5.89%		17,533
800MHz	2013~2015	3.51%	5.69%	69,416	138,833
2.3GHz	2014~2016	3.00%	5.80%	5,766	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	824,841	942,675
				900,023	1,107,691
Present value discount on long-term payables other				(62,582)	(72,170)
				837,441	1,035,521
Current portion of long-term payables other				(187,444)	(206,800)
Carrying amount at period end				649,997	828,721

(\*) The Group estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables-other.

(3) The repayment schedule of long-term payables other as of June 30, 2014 is as follows:

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*(In millions of won)*

	<b>Amount</b>
Less than 1 year	190,134
1~3 years	238,552
3~5 years	235,669
More than 5 years	235,668
	900,023

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**19. Provisions**

Changes in provisions for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014				As of June 30, 2014		
	Beginning balance	Increase	Utilization (*)	Others	Ending balance	Current	Non-current
Provision for handset subsidy	53,923	86,249	(49,206)		90,966	58,043	32,923
Provision for restoration	40,507	1,528	(1,256)	(145)	40,634	17,812	22,822
Other provisions	451		(99)	(45)	307		307
	94,881	87,777	(50,561)	(190)	131,907	75,855	56,052

(\*) Utilization includes reversal of provision for restoration of 909 million.

*(In millions of won)*

	For the six-month period ended June 30, 2013				As of June 30, 2013		
	Beginning balance	Increase	Utilization (*)	Others	Ending balance	Current	Non-current
Provision for handset subsidy	353,383	2,412	(200,072)		155,723	136,489	19,234
Provision for restoration	39,895	2,744	(954)	911	42,596	9,454	33,142
Other provisions	590		(107)	18	501	56	445
	393,868	5,156	(201,133)	929	198,820	145,999	52,821

(\*) Utilization includes reversal of other provisions of 777 million.

The Group has provided handset subsidy for the subscribers who purchase handsets on an installment basis and recognized provision for handset subsidy in accordance with the payment duration as of period end.

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**20. Finance Lease Liabilities****(1) Finance Lease**

The Group has leased telecommunication equipment under finance lease agreements with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
<b>Finance Lease Liabilities</b>		
Current portion of long-term finance lease liabilities	11,248	19,351
Long-term finance lease liabilities	1,757	3,867
	13,005	23,218

The Group's related interest and principal as of June 30, 2014, December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014		December 31, 2013	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Less than 1 year	11,573	11,248	20,039	19,351
1~5 years	1,775	1,757	3,974	3,867
Sub-total	13,348	13,005	24,013	23,218
Current portion of long-term finance lease liabilities		(11,248)		(19,351)
Long-term finance lease liabilities		1,757		3,867

**(2) Operating Lease**

The Group entered into operating lease and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues are as follows:

*(In millions of won)*

	Lease payments	Lease revenues
Less than 1 year	27,631	1,345
1~5 years	82,440	1,074

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More than 5 years	68,757	940
	178,828	3,359

### (3) Sales and Leaseback

For the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease and expected future lease payments and lease revenues are disclosed in Note 20-(2).



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**21. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Present value of defined benefit obligations	367,129	312,494
Fair value of plan assets	(241,300)	(238,293)
	125,829	74,201

(2) Principal actuarial assumptions as of June 30, 2014 and December 31, 2013 are as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Discount rate for defined benefit obligations	3.06%~4.34%	3.06~4.34%
Expected rate of salary increase	3.05%~6.27%	3.05~6.27%

Discount rate for defined benefit obligation is determined based on the Group's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligation. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Beginning balance	312,494	244,866
Current service cost	64,192	43,731
Interest cost	5,126	4,478
Remeasurement - Adjustment based on experience	14,600	7,852
Benefit paid	(33,361)	(25,249)
Others(*)	4,078	17,966
Ending balance	367,129	293,644

(\*) Others for the six-month period ended June 30, 2014 include liabilities of 3,151 million, transferred from affiliated companies and transfer to construction in progress. Others include liabilities of 14,703 million transferred due to business combination and transfer to construction in progress during the six-month period ended June 30, 2013.



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For the six-month periods ended June 30, 2014 and 2013

**21. Defined Benefit Liabilities, Continued**

(4) Changes in plan assets for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Beginning balance	238,293	158,345
Expected return on plan assets	4,596	3,066
Remeasurement factor of plan assets	(214)	958
Contributions by employer directly to plan assets	6,415	8,016
Benefit paid	(8,830)	(9,472)
Others(*)	1,040	12,976
<b>Ending balance</b>	<b>241,300</b>	<b>173,889</b>

(\*) Others include assets of 14,334 million transferred due to business combination and effects of changes in consolidation scope of (1,312) million during the six-month period ended June 30, 2013.

Actual return on plan assets for the six-month periods ended June 30, 2014 and 2013 amounted to 4,421 million and 4,024 million, respectively.

(5) Expenses recognized in profit and loss for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Current service cost	64,192	43,731
Net interest cost	530	1,412
	<b>64,722</b>	<b>45,143</b>

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

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**22. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of June 30, 2014 are as follows:  
(In thousands of foreign currencies)

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	United Overseas Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 250,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank and Citibank	Dec. 15, 2011 ~ Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	Foreign currency risk	Currency swap	Citibank and five other banks	Jun. 12, 2012 ~ Jun. 12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	Foreign currency risk	Currency swap	Barclays and nine other banks	Nov. 1, 2012 ~ May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	Foreign currency risk	Currency swap	BNP Paribas and three other banks	Jan. 17, 2013 ~ Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020
Oct. 29, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk	Currency swap	Korea Development Bank and others	Oct. 29, 2013 ~ Oct. 26, 2018
Dec. 16, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 92,098)	Foreign currency risk	Currency swap	Deutsche bank	Dec. 16, 2013 ~ Apr. 29, 2022

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**22. Derivative Instruments, Continued**

- (2) As of June 30, 2014, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

(In millions of won and thousands of foreign currencies)

Hedged item	Accumulated gain (loss) on valuation of derivatives	Fair value			Held for trading purpose	Total
		Cash flow hedge Tax effect	Accumulated foreign currency translations loss	Others (*1)		
<b>Non-current assets:</b>						
Structured bonds ( face value of KRW 100,000)					6,017	6,017
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 400,000)	(48,130)	(15,367)	(50,973)	129,806		15,336
<b>Total assets</b>						21,353
<b>Current liabilities:</b>						
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000)	47	15	(4,683)			(4,621)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 250,000)	5,538	1,768	(35,807)			(28,501)
<b>Non-current liabilities:</b>						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	(8,026)	(2,562)	(21,910)			(32,498)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	(12,082)	(3,857)	(52,811)			(68,750)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	6,919	2,208	(48,732)			(39,605)
Floating-to-fixed cross currency interest rate swap(face amounts of USD 300,000)	2,344	749	(20,669)			(17,576)
Fixed-to-fixed cross currency swap(U.S. dollar denominated bonds face value of USD 300,000)	(3,249)		(13,955)			(17,204)
Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 92,098)	(3,336)	(1,065)	(3,527)			(7,928)
<b>Total liabilities</b>						(216,683)

(\*1)

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Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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**23. Share Capital and Capital Surplus and Other Capital Adjustments**

The Parent Company's outstanding share capital consists entirely of common stock with a par value of 500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, except for share data)*

	June 30, 2014	December 31, 2013
Authorized shares(*1)	220,000,000	220,000,000
Issued shares	80,745,711	80,745,711
Share capital	44,639	44,639
Common stock		
Capital surplus and other capital adjustments:		
Paid-in surplus	2,915,886	2,915,887
Treasury stock(Note 24)	(2,139,683)	(2,139,683)
Loss on disposal of treasury stock	(18,087)	(18,087)
Hybrid bond(Note 25)	398,518	398,518
Others(*2)	(867,908)	(839,127)
	288,726	317,508

(\*1) For the years ended December 31, 2003, 2006 and 2009, the Parent Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Parent Company's outstanding shares have decreased without change in the share capital. There were no changes in share capital for the six-month period ended June 30, 2014 and the year ended December 31, 2013 and the number of issued shares for the six-month periods ended June 30, 2014 and 2013 are follows:

*(In shares)*

		June 30, 2014		For the six-month period ended		June 30, 2013	
		Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Issued shares	80,745,711	9,809,375	70,936,336	80,745,711	10,237,229	70,508,482	

(\*2) Changed mainly due to the business combination between entities under common control that took place during the six-month period ended June 30, 2014 (Refer to Note 11).

**24. Treasury Stock**

The Parent Company acquired treasury stock to provide stock dividends, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed.

Treasury stock as of June 30, 2014 and December 31, 2013 are as follows:

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*(In millions of won, shares)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Number of shares	9,809,375	9,809,375
Amount	2,139,683	2,139,683



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**25. Hybrid Bond**

The Parent Company issued hybrid bond at face amount on June 7, 2013 and details as of June 30, 2014 are as follows:

*(In millions of won)*

	Type	Issuance date	Maturity(*1)	Annual interest rate(%)(*2)	Amount
Private hybrid bond	Blank coupon unguaranteed subordinated bond	June 7, 2013	June 7, 2073	4.21	400,000
Issuance costs					(1,482)
					398,518

Hybrid bonds issued by the Parent Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common shareholders in the event of a liquidation or reorganization of the Parent Company.

(\*1) The Parent Company has a right to extend the maturity under the same issuance terms without any notice or announcement. The Parent Company also has the right to defer interest payment at its sole discretion.

(\*2) Annual interest rate is adjusted after five years from the issuance date.

**26. Retained Earnings**

(1) Retained earnings as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Appropriated:		
Legal reserve	22,320	22,320
Reserve for research & manpower development	151,533	155,766
Reserve for business expansion	9,476,138	9,376,138
Reserve for technology development	2,416,300	2,271,300
	12,066,291	11,825,524
Unappropriated	1,188,332	1,276,971

13,254,623

13,102,495

(2) Legal reserve

The Korean Commercial Code requires the Parent Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research & manpower development

Reserve for research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditure for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

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**27. Reserves**

(1) Details of reserves as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Net change in unrealized fair value of available-for-sale financial assets	207,899	208,529
Net change in other comprehensive income of investments in associates and joint ventures	(225,477)	(172,117)
Net change in unrealized fair value of derivatives	(53,195)	(35,429)
Foreign currency translations differences for foreign operations	(23,291)	(13,253)
	(94,064)	(12,270)

(2) Change in reserves for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	Net change in unrealized fair value of available-for- sale financial assets	Net change in other comprehensive income of investment in associates	Net change in unrealized fair value of derivatives	Foreign currency translations differences for foreign operations	Total
Balance at January 1, 2013	207,063	(175,044)	(46,652)	(11,003)	(25,636)
Changes	(66,893)	99,329	(84,554)	14,334	(37,784)
Tax effect	15,402	26	20,462		35,890
Balance at June 30, 2013	155,572	(75,689)	(110,744)	3,331	(27,530)
Balance at January 1, 2014	208,529	(172,117)	(35,429)	(13,253)	(12,270)
Changes	(4,718)	(53,527)	(23,095)	(10,038)	(91,378)
Tax effect	4,088	167	5,329		9,584
Balance at June 30, 2014	207,899	(225,477)	(53,195)	(23,291)	(94,064)

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**28. Other Operating Expenses**

Details of other operating expenses for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Other Operating Expenses:</b>				
Communication expenses	14,828	29,132	17,057	30,715
Utilities	51,936	114,734	50,678	105,306
Taxes and dues	6,522	14,760	5,876	13,490
Repair	69,872	134,481	60,308	124,724
Research and development	104,054	204,960	80,614	162,211
Training	9,017	16,594	8,212	14,578
Bad debt for accounts receivables trade	17,362	23,553	17,587	28,667
Travel	7,806	14,563	8,589	15,055
Supplies and other	54,867	108,196	38,902	90,765
	336,264	660,973	287,823	585,511

**29. Other Non-operating Income and Expenses**

(1) Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Other Non-operating Income:</b>				
Fees revenues	4,449	5,964	2,105	2,864
Gain on disposal of property and equipment and intangible assets	1,385	3,411	2,745	4,754
Others	10,897	27,199	19,522	30,593
	16,731	36,574	24,372	38,211
<b>Other Non-operating Expenses:</b>				
Loss on impairment of property and equipment and intangible assets	237	3,166		10,617

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Loss on disposal of property and equipment and intangible assets	1,696	3,980	7,683	13,061
Donations	18,663	27,052	10,490	22,649
Bad debt for accounts receivable other	5,154	8,125	6,004	16,530
Loss on disposal of investment securities	7	7		1
Loss on impairment of investment securities		127		
Others	2,957	22,189	6,855	14,767
	28,714	64,646	31,032	77,625

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For the six-month periods ended June 30, 2014 and 2013

**30. Finance Income and Costs**

(1) Details of finance income and costs for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Finance Income:</b>				
Interest income	14,274	29,756	15,864	32,850
Dividends	939	10,567	48	10,197
Gain on foreign currency transactions	2,364	6,663	4,898	7,432
Gain on foreign currency translation	14,400	15,926	3,098	6,038
Gain on disposal of long-term investment securities	1,223	6,114	1,093	2,134
Gain on valuation of derivatives	1,967	6,017		
Gain on settlement of derivatives		119		2,274
Gain on relating to financial asset at fair value through profit or loss			2,427	3,365
	35,167	75,162	27,428	64,290

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Finance Costs:</b>				
Interest expense	82,593	161,229	83,017	172,924
Loss on foreign currency transactions	5,526	9,552	4,244	7,265
Loss on foreign currency translation	117	5,186	1,351	5,326
Loss on disposal of long-term investment securities		2,112	4,523	4,713
Loss on impairment of long-term investment securities			2,979	16,548
Loss on valuation of derivatives	12,135	12,135	198	198
Loss on settlement of derivatives	335	335		
Loss relating to financial assets at fair value through profit or loss	2,419	1,352		
Loss relating to financial liability at fair value through profit or loss(*)	7,794	7,798	66,513	104,601
	110,919	199,699	162,825	311,575

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- (\*) Loss relating to financial liability at fair value through profit or loss for the six-month period ended June 30, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Parent Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

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Notes to the Condensed Consolidated Interim Financial Statements

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**30. Finance Income and Costs, Continued**

- (2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and deposits	8,602	18,250	9,676	20,047
Interest income on installment receivables and others	5,672	11,506	6,188	12,803
	14,274	29,756	15,864	32,850

- (3) Details of interest expense included in finance costs for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expense on bank overdrafts and borrowings	8,735	13,994	7,307	23,059
Interest expense on debentures	61,749	122,035	66,135	128,299
Interest on finance lease liabilities	149	349	355	767
Others	11,960	24,851	9,220	20,799
	82,593	161,229	83,017	172,924

- (4) Details of impairment losses for financial assets for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Available-for-sale financial assets			2,979	16,548



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Accounts receivable trade	17,304	23,494	17,956	29,086
Accounts receivable other	5,154	8,125	6,004	16,530
	22,458	31,619	26,939	62,164

**31. Income Tax Expense for Continuing Operations**

Income tax expense was recognized as current tax expense adjusted to changes in estimates related to prior periods, deferred tax expenses by origination and reversal of temporary differences, and income tax recognized in other comprehensive income.

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**32. Earnings per Share**

(1) Basic earnings per share

1) Basic earnings per share for the three and six-month periods ended June 30, 2014 and 2013 are calculated as follows:

*(In millions of won, shares)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Basic earnings per share attributable to owners of the Parent Company from continuing operation:</b>				
Profit attributable to owners of the Parent Company from continuing operations	498,536	768,350	462,630	812,757
Dividend on hybrid bond	(8,420)	(8,420)	(1,058)	(1,058)
Profit for the period on common shares	490,116	759,930	461,572	811,699
Weighted average number of common shares outstanding	70,936,336	70,936,336	69,872,438	69,784,208
Basic earnings per share from continuing operations (In won)	6,909	10,713	6,606	11,632
<b>Basic earnings per share attributable to owners of the Parent Company:</b>				
Profit attributable to owners of the Parent Company	498,536	768,350	466,645	820,799
Dividend on hybrid bond	(8,420)	(8,420)	(1,058)	(1,058)
Profit for the period on common shares	490,116	759,930	465,587	819,741
Weighted average number of common shares outstanding	70,936,336	70,936,336	69,872,438	69,784,208
Basic earnings per share (In won)	6,909	10,713	6,663	11,747

2) Profit attributable to owners of the Parent Company from continuing operation for the three and six-month periods ended June 30, 2014 and 2013 are calculated as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Profit attributable to owners of the Parent Company	498,536	768,350	466,645	820,799
Results of discontinued operation attributable to owners of the Parent Company			4,015	8,042
Profit attributable to owners of the Parent Company from continuing operation	498,536	768,350	462,630	812,757



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**32. Earnings per Share, Continued**

- 3) The weighted average number of common shares outstanding for the three and six-month periods ended June 30, 2014 and 2013 are calculated as follows:

*(In shares)*

	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Outstanding common shares	80,745,711	80,745,711	80,745,711
Effect of treasury stock	(9,809,375)	(9,809,375)	(9,809,375)
<b>Weighted average number of common shares outstanding</b>	<b>70,936,336</b>	<b>70,936,336</b>	<b>70,936,336</b>

*(In shares)*

	Number of shares	Weighted number of shares	
		Three-month period ended June 30	Six-month period ended June 30
Outstanding common shares at January 1, 2013	80,745,711	80,745,711	80,745,711
Effect of treasury stock	(11,050,712)	(11,050,712)	(11,050,712)
Exchange of exchangeable bond	813,483	177,439	89,209
<b>Weighted average number of common shares outstanding</b>	<b>70,508,482</b>	<b>69,872,438</b>	<b>69,784,208</b>

- (2) Diluted earnings per share

For the six-month period ended June 30, 2014, potential diluted of share does not exist. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the six-month period ended June 30, 2013 as effect would have been anti-dilutive (diluted shares of 2,421,077); therefore, diluted earnings per share for the six-month period ended June 30, 2014 and 2013 are same as basic earnings per share.

- (3) Basic earnings per share from discontinued operation

*(In millions of won, shares)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
			4,015	8,042

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### Results from discontinued operation attributable to owners of the Parent Company

Weighted average number of common shares outstanding	70,936,336	70,936,336	69,872,438	69,784,208
Basic earnings per share (In won)			57	115

Diluted earnings per share from discontinued operation is the same as basic earnings per share from discontinued operation.

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For the six-month periods ended June 30, 2014 and 2013

**33. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014				Total
	Trading financial assets	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	
Cash and cash equivalents			1,331,263		1,331,263
Financial instruments			328,900		328,900
Short-term investment securities		54,198			54,198
Long-term investment securities		924,610			924,610
Accounts receivable trade			2,495,965		2,495,965
Loans and receivables(*2)			1,198,818		1,198,818
Derivative financial assets	6,017			15,336	21,353
	6,017	978,808	5,354,946	15,336	6,355,107

*(In millions of won)*

	December 31, 2013				Total
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	
Cash and cash equivalents			1,398,639		1,398,639
Financial instruments			319,616		319,616
Short-term investment securities		106,068			106,068
Long-term investment securities(*1)	20,532	947,995			968,527
Accounts receivable trade			2,270,470		2,270,470
Loans and receivables(*2)			1,044,529		1,044,529
Derivative financial assets(*3)	10			41,712	41,722
	20,542	1,054,063	5,033,254	41,712	6,149,571

(\*1) The entire amount of long-term investment securities was designated as financial assets at fair value through profit or loss as the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.



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For the six-month periods ended June 30, 2014 and 2013

**33. Categories of Financial Instruments, Continued**

(\*2) Details of loans and receivables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Short-term loans	82,967	79,395
Accounts receivable other	747,478	643,603
Accrued income	14,353	11,941
Other current assets	3,033	2,548
Long-term loans	68,312	57,442
Long-term accounts receivable other	2,490	
Guarantee deposits	280,185	249,600
	1,198,818	1,044,529

(\*3) Derivative financial assets classified as financial assets at fair value through profit or loss is the fair value of conversion right of convertible bonds held by SK Communications Co., Ltd., a subsidiary of the Parent Company.

(2) Financial liabilities by categories as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging instruments	
Accounts payable trade		417,181		417,181
Derivative financial liabilities			216,683	216,683
Borrowings		994,827		994,827
Debentures(*1)	107,794	5,963,348		6,071,142
Accounts payable other and other payables(*3)		2,960,154		2,960,154
	107,794	10,335,510	216,683	10,659,987

*(In millions of won)*

	December 31, 2013			Total
	Financial liabilities at fair	Financial liabilities measured at	Derivative financial instruments	



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	value through profit or loss	amortized cost	designated as hedged item	
Accounts payable trade		214,716		214,716
Derivative financial liabilities			124,339	124,339
Borrowings		386,192		386,192
Debentures(*2)	96,147	5,830,324		5,926,471
Accounts payable other and other payables(*3)		3,949,794		3,949,794
	96,147	10,381,026	124,339	10,601,512

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For the six-month periods ended June 30, 2014 and 2013

**33. Categories of Financial Instruments, Continued**

- (\*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.
- (\*2) The entire amount of debentures was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.
- (\*3) Details of accounts payable and other payables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Accounts payable other	1,114,834	1,864,024
Withholdings	1,856	1,549
Accrued expenses	953,562	988,193
Current portion of long-term payables other	198,692	226,151
Long-term payables other	660,963	838,585
Finance lease liabilities	1,757	3,867
Other non-current liabilities	28,490	27,425
	<b>2,960,154</b>	<b>3,949,794</b>

**34. Financial Risk Management****(1) Financial risk management**

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is the risk related to the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Group implements a risk management system to monitor and manage these specific risks.

The Group's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

**1) Market risk****(i) Currency risk**

The Group is exposed to currency risk mainly on exchange fluctuations on recognized assets and liabilities. The Group manages currency risk by currency forward, etc. if needed to hedge currency risk on business transactions. Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the respective Group entities.



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For the six-month periods ended June 30, 2014 and 2013

**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of June 30, 2014 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)*

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign Currencies	Won translation
USD	174,869	176,383	2,119,791	2,149,591
EUR	5,549	7,680	54	75
JPY	67,198	672		
SGD	6	5	64,910	52,694
AUD			298,286	284,941
CHF			298,746	340,101
Others	40,670	9,649	1,009	164
		194,389		2,827,566

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 20)

As of June 30, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	<b>If increased by 10%</b>	<b>If decreased by 10%</b>
USD	7,769	(7,769)
EUR	761	(761)
JPY	67	(67)
Others	949	(949)
	9,546	(9,546)

## (ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of June 30, 2014, available-for-sale equity instruments measured at fair value amount to 814,546 million.

## (iii) Interest rate risk

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Since the Group's interest bearing assets are mostly fixed-interest bearing assets, as such, the Group's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Group still has interest rate risk arising from borrowings and debentures.

Accordingly, the Group performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

The Group's interest rate risk arises from floating-rate borrowings and debentures. As of June 30, 2014, floating-rate borrowings and debentures amount to 78,519 million and 610,688 million respectively, the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. (Refer to Note 22) If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2014 would have been changed 393 million due to the interest expense from floating-rate borrowings.

## 2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	1,330,977	1,398,548
Financial instruments	328,900	319,616
Available-for-sale financial assets	16,547	35,174
Accounts receivable - trade	2,495,965	2,270,470
Loans and receivables	1,198,818	1,044,529
Derivative financial assets	15,336	41,712
Financial assets at fair value through profit or loss	6,017	20,532
	5,392,560	5,130,581

To manage credit risk, the Group evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Group establishes credit limits for each customer or counterparty.

For the six-month period ended June 30, 2014, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of June 30, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 30.

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**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Group maintains flexibly enough liquidity under credit lines through active operating activities.

Contractual maturities of financial liabilities as of June 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable-trade	417,181	417,181	417,181		
Borrowings(*1)	994,827	1,009,726	896,001	77,158	36,567
Debentures(*1)	6,071,142	7,332,084	1,137,465	3,783,371	2,411,248
Accounts payable-other and others(*2)	2,960,154	3,089,494	2,245,276	591,102	253,116
	10,443,304	11,848,485	4,695,923	4,451,631	2,700,931

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at different amounts.

(\*1) Includes estimated interest to be paid and excludes discounts on borrowings and debentures.

(\*2) Excludes discounts on accounts payable-other and others.

As of June 30, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	15,336	2,449	6,111	29,643	(33,305)
Liabilities	(216,683)	(232,879)	(53,748)	(161,319)	(17,812)
	(201,347)	(230,430)	(47,637)	(131,676)	(51,117)

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**34. Financial Risk Management, Continued****(2) Capital management**

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Group is the same as that of the group as of and for the year ended 31 December 2013.

The Group monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the financial statements.

Debt-equity ratio as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Liabilities	12,824,469	12,409,958
Equity	14,203,180	14,166,557
Debt-equity ratio	90.29%	87.60%



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**34. Financial Risk Management, Continued**

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets that can be measured at fair value</b>					
Trading financial assets	6,017		6,017		6,017
Derivative financial assets	15,336		15,336		15,336
Available-for-sale financial assets	814,546	630,723	46,648	137,175	814,546
	835,899	630,723	68,001	137,175	835,899
<b>Financial assets that cannot be measured at fair value</b>					
Cash and cash equivalents(*1)	1,331,263				
Available-for-sale financial assets(*1,2)	164,262				
Accounts receivable trade and others(*1)	3,694,783				
Financial instruments(*1)	328,900				
	5,519,208				
<b>Financial liabilities that can be measured at fair value</b>					
Debentures	107,794		107,794		107,794
Derivative financial liabilities	216,683		216,683		216,683
	324,477		324,477		324,477
<b>Financial liabilities that cannot be measured at fair value</b>					
Accounts payable trade(*1)	417,181				
Borrowings	994,826		993,476		993,476
Debentures	5,963,348		6,200,113		6,200,113
Accounts payable other and others(*1)	2,960,154				
	10,335,509		7,193,589		7,193,589



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For the six-month periods ended June 30, 2014 and 2013

**34. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

*(In millions of won)*

	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets that can be measured at fair value</b>					
Financial assets at fair value through profit or loss	20,542		20,532	10	20,542
Derivative financial assets	41,712		41,712		41,712
Available-for-sale financial assets	839,647	638,445	46,414	154,788	839,647
	901,901	638,445	108,658	154,798	901,901
<b>Financial assets that cannot be measured at fair value</b>					
Cash and cash equivalents(*1)	1,398,639				
Available-for-sale financial assets(*1,2)	214,416				
Accounts receivable trade and others(*1)	3,314,999				
Financial instruments(*1)	319,616				
	5,247,670				
<b>Financial liabilities that can be measured at fair value</b>					
Financial liabilities at fair value through profit or loss	96,147	96,147			96,147
Derivative financial liabilities	124,339		124,339		124,339
	220,486	96,147	124,339		220,486
<b>Financial liabilities that cannot be measured at fair value</b>					
Accounts payable trade(*1)	214,716				
Borrowings	386,192		399,247		399,247
Debentures	5,830,324		5,946,586		5,946,586
Accounts payable other and others(*1)	3,949,794				
	10,381,026		6,345,833		6,345,833

(\*1)

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Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

- (\*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.

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For the six-month periods ended June 30, 2014 and 2013

**34. Financial Risk Management, Continued****(3) Fair value, Continued**

Fair value of the financial instruments that are traded in an active market is measured based on the quoted market price at the end of the reporting date. Disclosed market price of the financial assets held by the Group is the bid price.

Fair value of the financial instruments that are not traded in an active market is determined using the valuation method. The Group uses the various valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of financial instruments such as long-term liabilities is measured using the various methods including estimated discounted cash flow method.

Fair values of accounts receivable trade, and accounts payable trade are considered to be carrying amount less impairment and fair value of financial liabilities for the disclosure purpose is estimated by discounting contractual future cash flows using the current market interest rate used for the similar financial instruments by the Group.

Interest rates used by the Group for the fair value measurement as of June 30, 2014 are as follows:

	<b>Interest rate</b>
Derivative instruments	2.30 ~ 2.73%
Borrowings and debentures	3.10 ~ 3.28%

There have been no transfers from Level 2 to Level 1 for the six-month period ended June 30, 2014 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2014 are as follows:

*(In millions of won)*

	<b>Balance at January 1</b>	<b>Acquisition</b>	<b>Other comprehensive income</b>	<b>Disposal</b>	<b>Balance at June 30</b>
Financial assets at fair value through profit or loss	10			(10)	
Available-for-sale financial assets	154,788	31,066	(9,413)	(39,266)	137,175

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**34. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2014 are as follows:

*(In millions of won)*

	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position Cash collaterals received	Financial instruments	Net amount
<b>Financial assets:</b>						
Derivatives(*)	16,241		16,241	(16,241)		
Accounts receivable trade and others	147,473	(132,495)	14,978			14,978
	163,714	(132,495)	31,219	(16,241)		14,978
<b>Financial liabilities:</b>						
Derivatives(*)	56,956		56,956	(16,241)		40,715
Accounts payable trade and others	132,495	(132,495)				
	189,451	(132,495)	56,956	(16,241)		40,715

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2013 are as follows:

*(In millions of won)*

	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position Cash collaterals received	Financial instruments	Net amount
<b>Financial assets:</b>						
Derivatives(*)	28,870		28,870	(28,870)		
Accounts receivable trade and others	138,897	(127,055)	11,842			11,842
	167,767	(127,055)	40,712	(28,870)		11,842

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<b>Financial liabilities:</b>					
Derivatives(*)	43,536		43,536	(28,870)	14,666
Accounts payable trade and others	127,055	(127,055)			
	170,591	(127,055)	43,536	(28,870)	14,666

(\*) The amount is applicable by enforceable master netting agreement according to ISDA (International Swap and Derivatives Association).

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties**

- (1) List of related parties

<b>Relationship</b>	<b>Interest rate</b>
Ultimate Controlling Entity	SK Holding Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 28 others (Refer to Note 1)
Joint venture	Dogus Planet, Inc. and three others
Associates	SK hynix Inc. and 64 others
Affiliates	The Ultimate Controlling Entity's investor using the equity method and the Ultimate Controlling Entity's subsidiaries and associates, etc.

- (2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three-month period ended June 30, 2014</b>	<b>Six-month period ended June 30, 2014</b>	<b>Three-month period ended June 30, 2013</b>	<b>Six-month period ended June 30, 2013</b>
	Salaries	287	1,626	340
Provision for retirement benefits	113	681	97	817
	400	2,307	437	2,411

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.



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For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

Scope	Company	Operating revenue and others		Operating expense and others	
		Three-month period ended June 30, 2014	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2014
Ultimate Controlling Entity	SK Holding Co., Ltd.(*1)	130	255	8,954	188,694
Associates	F&U Credit information Co., Ltd.	470	993	9,740	21,982
	HappyNarae Co., Ltd.	74	129	1,072	2,617
	SK hynix Inc.	2,208	4,922		879
	SK USA, Inc.			301	960
	SK Wyverns Baseball Club Co., Ltd.	180	228	120	9,041
	HanaSK Card Co., Ltd.	11,179	21,436	1,078	2,297
	Others	2,138	3,433	4,832	7,642
			16,249	31,141	17,143
Other	SK Engineering & Construction Co., Ltd.	821	1,669	23,544	23,544
	SK C&C Co., Ltd.	4,689	8,595	71,056	154,140
	SK Networks Co., Ltd.(*2)	6,229	12,354	551,082	928,615
	SK Networks Service Co., Ltd.	5,359	5,423	22,880	41,511
	SK Telesys Co., Ltd.	80	202	25,677	46,113
	SK Energy Co., Ltd.	7,834	11,848	221	443
	SK Gas Co., Ltd.	786	3,952		
	Others	5,636	10,534	5,184	14,718
		31,434	54,577	699,644	1,209,084
<b>Total</b>		<b>47,813</b>	<b>85,973</b>	<b>725,741</b>	<b>1,443,196</b>

(\*1) Operating expense and others include 171,053 million of dividends paid by the Parent Company.

(\*2) Operating expense and others include the consideration paid for the business acquisition under common control.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2014 and 2013 are as follows, Continued:

(In millions of won)

Scope	Company	Acquisition of property and equipment		Cash Advances	
		Three-month period ended June 30, 2014	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2014
Ultimate Controlling Entity	SK Holding Co., Ltd.				
Associates	F&U Credit information Co., Ltd.				
	HappyNarae Co., Ltd.	3,157	4,050		
	SK hynix Inc.				
	SK USA, Inc.				
	SK Wyverns Baseball Club Co., Ltd.				
	HanaSK Card Co., Ltd.				
	Others			45	45
		3,157	4,050	45	45
Other	SK Engineering & Construction Co., Ltd.	70,063	100,126		
	SK C&C Co., Ltd.	25,364	51,409		
	SK Networks Co., Ltd.	2,452	3,251		
	SK Networks Service Co., Ltd.	716	716		
	SK Telesys Co., Ltd.	54,873	78,838		
	SK Energy Co., Ltd.				
	SK Gas Co., Ltd.				
	Others	4,623	5,150		
		158,091	239,490		
Total		161,248	243,540	45	45

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2014 and 2013 are as follows, Continued:

<i>(In millions of won)</i>		Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month period ended June 30, 2013	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013	Six-month period ended June 30, 2013
Scope	Company						
Ultimate Controlling Entity	SK Holding Co., Ltd.(*)	746	1,320	8,668	188,534		
Associates	F&U Credit information Co., Ltd.	488	861	11,057	21,564		
	HappyNarae Co., Ltd.	116	124	730	2,256	2,035	2,330
	SK hynix Inc.	1,231	2,453	57	57		
	SK USA, Inc.				520		
	SK Wyverns Baseball Club Co., Ltd.	207	233	1,130	9,630		
	HanaSK Card Co., Ltd.	11,086	20,157	945	1,671		
	Others	3,694	6,380	13,131	19,019		
		16,822	30,208	27,050	54,717	2,035	2,330
Other	SK Engineering & Construction Co., Ltd.	3,077	3,933	13,085	13,634	65,035	96,616
	SK C&C Co., Ltd.	3,781	6,787	76,420	157,818	42,457	66,235
	SK Networks Co., Ltd.	11,849	25,511	316,204	716,903	1,210	1,458
	SK Networks Service Co., Ltd.	2,696	5,956	27,345	45,119	136	136
	SK Telesys Co., Ltd	365	489	21,715	39,999	19,287	51,057
	SK Energy Co., Ltd.	5,210	9,318	499	812		
	SK Gas Co., Ltd.	840	1,259				
	Others	9,146	13,971	494	1,465	591	678
		36,964	67,224	455,762	975,750	128,716	216,180
Total		54,532	98,752	491,480	1,219,001	130,751	218,510

(\*) Operating expense and others include 171,053 million of dividends paid by the Parent Company.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2014 and 2013 are as follows:

*(In millions of won)*

Scope	Company	June 30, 2014	
		Accounts receivable Loans	Accounts payable Accounts payable-trade, and others
Ultimate Controlling Entity	SK Holding Co., Ltd.		99
Associates	HappyNarae Co., Ltd.		25
	F&U Credit information Co., Ltd.		73
	SK hynix Inc.		730
	SK Wyverns Baseball Club Co., Ltd.	1,425	591
	Wave City Development Co., Ltd.	1,200	38,412
	Daehan Kanggun BcN Co., Ltd.	22,148	
	SK USA, Inc.		626
	Television Media Korea Inc.		333
	Others		5,604
		24,773	45,768
Other	SK Engineering & Construction Co., Ltd.		170
	SK C&C Co., Ltd.		1,232
	SK Networks Co., Ltd.		27,899
	SK Networks Service Co., Ltd.		2
	SK Telesys Co., Ltd.		177
	SK Innovation Co., Ltd.		1,329
	SK Energy Co., Ltd.		2,230
	SK Gas Co., Ltd.		1,381
	Others		1,343
			35,763
Total		24,773	81,630
			488,777
			493,622

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Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2014 and 2013 are as follows, Continued:

*(In millions of won)*

Scope	Company	Loans	June 30, 2013	
			Accounts receivable Accounts receivable-trade, and others	Accounts payable Accounts payable-trade, and others
Ultimate Controlling Entity	SK Holding Co., Ltd.		334	
Associates	HappyNarae Co., Ltd.		27	16,317
	F&U Credit information Co., Ltd.		258	
	SK hynix Inc.		392	
	SK Wyverns Baseball Club Co., Ltd.	1,425		
	Wave City Development Co., Ltd.	1,200	38,412	
	Daehan Kanggun BcN Co., Ltd.	22,102		
	SK USA, Inc.			436
	Others		3,733	5,500
		24,727	42,822	22,253
	SK Engineering & Construction Co., Ltd.		988	92,058
	SK Telesys Co., Ltd.		412	70,467
Other	SK C&C Co., Ltd.		182	
	SK Networks. Co., Ltd.		5,930	118,759
	SK Energy Co., Ltd.		5,457	7,438
	SK Gas Co., Ltd.		1,469	
	Others		4,707	12,759
			19,145	301,481
<b>Total</b>		<b>24,727</b>	<b>62,301</b>	<b>323,734</b>

(5) There are no collateral or guarantee provided by related parties to the Group nor the Group to related parties.

(6) M&amp;Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provides a blank note to SK Energy Co., Ltd., with regard to this transaction.

(7) There were additional acquisition of investments in associates. (Refer to Note 12)



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Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**36. Discontinued Operation****(1) Discontinued operation**

During the year ended December 31, 2013, SK Planet Co., Ltd., a subsidiary of the Parent Company, sold 52.6% of its ownership interests (13,294,369 shares) in Loen Entertainment, Inc., to Star Invest Holdings Limited. Consideration for the sale amounted to 265,887 million. Loen Entertainment was a subsidiary of SK Planet Co., Ltd. and is engaged in the release of music discs as its primary business. The Group's ownership interests after the disposition is 15.0% and Loen Entertainment, Inc. was excluded from the Group's consolidated financial statements as of the date of the sale.

**(2) Results of discontinued operation**

Results of discontinued operation included in the consolidated statements of income for the six-month period ended June 30, 2013 are as follows. The consolidated statement of income presented for comparative purposes was restated in order to present discontinued operation segregated from the continuing operations.

*(In millions of won)*

	<b>June 30, 2013</b>
<b>Results of discontinued operation:</b>	
Revenue	94,240
Expense	(80,134)
<b>Operating income generated by discontinued operation</b>	<b>14,106</b>
Non-operating income	1,621
Income tax benefit	(3,824)
<b>Gain generated by discontinued operation</b>	<b>11,903</b>
Attributable to :	
Owners of the Parent Company	8,042
Non-controlling interests	3,861

**(3) Cash flows used in discontinued operation**

Cash flows used in discontinued operation for the six-month period ended June 30, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2013</b>
<b>Cash flow from discontinued operation:</b>	
Net cash provided by operating activities	23,589

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Net cash used in investing activities	(8,667)
Net cash used in financing activities	(4,780)
Net cash provided by discontinued operation	10,142



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**37. Commitments and Legal Claims and Litigations**

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of 14,230 million as of June 30, 2014.

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has guaranteed for employees' borrowings relating to employee stock ownership and provided short-term financial instruments amounting to 2,335 million as collateral as of June 30, 2014.

In addition, Neosnetworks Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for facility funds borrowings in the amount of 1,200 million as of June 30, 2014.

(2) Legal claims and litigations

As of June 30, 2014, the Group is involved in various legal claims and litigation. Provision recognized in relation to these claims and litigation is immaterial. For those legal claims and litigation for which no provision was recognized, management does not believe the Group has a present obligation for these matters, nor is it expected any of these claims or litigation will have a significant impact on the Group's financial position or operating results in the event an outflow of resources is ultimately necessary.

(3) Guarantee provided

PS&Marketing Corporation a subsidiary of the Parent Company, is being offered 3,000 million of payment guarantees from Shinhan Bank for accounts payable related to handset of the fee of the Apple Computer Korea Ltd.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**38. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Interest income	(29,756)	(34,026)
Dividend	(10,567)	(10,197)
Gain on foreign currency translation	(15,926)	(6,038)
Gain on disposal of long-term investments assets	(6,114)	(2,134)
Gain on valuation of derivatives	(6,017)	
Gain on settlement of derivatives	(119)	(2,274)
Gain on relating to investments in subsidiaries, associates and joint ventures, net	(294,702)	(350,676)
Gain on disposal of property, equipment and intangible assets	(3,411)	(4,754)
Gain on relating to financial assets at fair value through profit or loss		(3,365)
Other income	(6)	(2,748)
Interest expenses	161,229	172,924
Loss on foreign currency translation	5,186	5,326
Loss on disposal of long-term investments securities	2,112	4,713
Loss on impairment of long-term investments securities		16,548
Loss on valuation of derivatives	12,135	198
Loss on settlement of derivatives	335	
Income tax expense	175,635	214,958
Provision for retirement benefits	64,722	45,143
Depreciation and amortization	1,420,648	1,391,759
Bad debt for accounts receivable trade	23,553	30,425
Loss on disposal of property and equipment and intangible assets	3,980	13,061
Loss on impairment of property, equipment and intangible assets	3,166	11,245
Loss on relating to financial assets at fair value through profit or loss	1,352	
Loss on relating to financial liabilities at fair value through profit or loss	7,798	104,600
Bad debt for accounts receivable other	8,125	16,542
Loss on disposal of investments assets	7	1
Loss on impairment of investments assets	127	
Other expenses	5,250	4,516
	<b>1,528,742</b>	<b>1,615,747</b>

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**38. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Accounts receivable trade	(195,944)	(198,320)
Accounts receivable other	(106,246)	(36,124)
Accrued income	57	63
Advance payments	(31,938)	(46,357)
Prepaid expenses	(14,301)	4,530
Proxy paid V.A.T.	7,949	(25,031)
Inventories	(142,872)	24,521
Guarantee deposits	(5,876)	9,857
Accounts payable trade	118,439	25,642
Accounts payable other	(491,376)	(323,833)
Advanced receipts	11,668	(10,963)
Withholdings	218,630	(98,016)
Deposits	(1,275)	(718)
Accrued expenses	(35,025)	62,214
Advanced V.A.T.	8,019	59,261
Unearned revenue	(56,921)	(83,609)
Provisions	4,710	(143,560)
Long-term provisions	32,304	(53,684)
Plan assets	2,415	1,456
Retirement benefit payment	(33,361)	(25,249)
Others	893	(27,774)
	(710,051)	(885,694)

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Transfer of construction in progress to property, equipment and intangible assets	943,978	993,276
Transfer of other tangible assets to construction in progress	364,744	408,202
Accounts payable other related to acquisition of tangible assets and others	316,164	307,258
Accounts receivable other related to disposal of tangible assets and others	2,015	



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**39. Subsequent Events**

(1) Interim dividends

On July 24, 2014, the Board of Directors of the Parent Company resolved to pay interim cash dividends of 1,000 per share totaling 70,936 million (Market dividend rate: 0.42%). The ex-dividend date was June 30, 2014 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of June 30, 2014, the related condensed separate statements of income, comprehensive income for the three and six-month periods ended June 30, 2014 and 2013, the changes in equity and cash flows for the six-month periods ended June 30, 2014 and 2013, and notes to the interim financial statements.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) No.1034 Interim Financial Reporting, and for such internal controls as management determines necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial statements consists principally of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements referred to above are not prepared fairly, in all material respects, in accordance with K-IFRS No.1034 Interim Financial Reporting.

### **Other matters**

The separate statement of financial position of the Company as of December 31, 2013, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 21, 2014, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2013, presented for comparative purposes, is not different from that audited by us in all material respects.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

August 8, 2014

This report is effective as of August 8, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of June 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	June 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	27,28	412,194	448,459
Short-term financial instruments	4,27,28	156,000	166,000
Short-term investment securities	6,27,28	47,274	102,042
Accounts receivable trade, net	5,27,28,29	1,597,263	1,513,138
Short-term loans, net	5,27,28,29	75,728	72,198
Accounts receivable other, net	5,27,28,29	338,861	388,475
Prepaid expenses		77,949	82,837
Inventories, net		22,171	24,596
Assets held for sale	7	2,611	3,667
Advanced payments and other	5,27,28	24,923	16,370
<b>Total Current Assets</b>		<b>2,754,974</b>	<b>2,817,782</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	4,27,28	7,569	7,569
Long-term investment securities	6,27,28	610,715	729,703
Investments in subsidiaries and associates	8	8,175,838	8,010,121
Property and equipment, net	9,29	7,318,724	7,459,986
Goodwill	10	1,306,236	1,306,236
Intangible assets, net	11	2,067,883	2,239,167
Long-term loans, net	5,27,28,29	50,931	39,925
Long-term prepaid expenses		27,911	23,007
Guarantee deposits	4,5,27,28,29	151,838	152,057
Long-term derivative financial assets	16,27,28	21,353	41,712
Other non-current assets		63	154
<b>Total Non-Current Assets</b>		<b>19,739,061</b>	<b>20,009,637</b>
<b>Total Assets</b>		<b>22,494,035</b>	<b>22,827,419</b>

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of June 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	June 30, 2014	December 31, 2013
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	12,27,28	700,000	260,000
Current portion of long-term debt, net	12,13,27,28	902,654	829,503
Accounts payable other	27,28,29	792,483	1,556,201
Withholdings	27,28	758,990	574,166
Accrued expenses	27,28	601,175	653,742
Income tax payable		58,033	104,564
Unearned revenue		137,618	178,569
Derivative financial liabilities	16,27,28	33,122	21,170
Provisions	14	75,633	66,559
Advanced receipts and other		50,879	43,599
<b>Total Current Liabilities</b>		<b>4,110,587</b>	<b>4,288,073</b>
<b>Non-Current Liabilities:</b>			
Debentures, net, excluding current portion	12,27,28	4,059,010	4,014,777
Long-term borrowings, excluding current portion	12,27,28	79,519	85,125
Long-term payables other	13,27,28	649,997	828,721
Long-term unearned revenue		35,139	50,894
Defined benefit liabilities	15	42,179	22,886
Long-term derivative financial liabilities	16,27,28	166,357	100,210
Long-term provisions	14	47,970	19,537
Deferred tax liabilities	25	93,082	44,601
Other non-current liabilities	27,28,29	59,874	57,187
<b>Total Non-Current Liabilities</b>		<b>5,233,127</b>	<b>5,223,938</b>
<b>Total Liabilities</b>		<b>9,343,714</b>	<b>9,512,011</b>
<b>Equity</b>			
Share capital	1,17	44,639	44,639
Capital surplus and other capital adjustments	17,18,19	433,894	433,894
Retained earnings	20	12,568,736	12,665,699
Reserves	21	103,052	171,176
<b>Total Equity</b>		<b>13,150,321</b>	<b>13,315,408</b>
<b>Total Liabilities and Equity</b>		<b>22,494,035</b>	<b>22,827,419</b>

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 2014 and 2013

*(In millions of won except for per share data)*

	Note	June 30, 2014		June 30, 2013	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
<b>Operating revenue:</b>	29				
Revenue		3,264,610	6,528,313	3,209,053	6,321,152
<b>Operating expense:</b>	29				
Labor cost		147,178	313,216	131,361	331,266
Commissions paid		1,305,216	2,894,331	1,301,196	2,670,696
Depreciation and amortization		518,153	1,027,207	506,354	982,718
Network interconnection		219,888	434,763	184,569	360,936
Leased lines		92,490	189,352	106,669	210,705
Advertising		57,108	96,546	75,409	110,078
Rent		92,520	185,243	88,669	174,955
Cost of products that have been resold		121,630	235,573	94,272	173,074
Other operating expenses	22	182,762	373,123	188,316	354,376
<b>Sub-total</b>		<b>2,736,945</b>	<b>5,749,354</b>	<b>2,676,815</b>	<b>5,368,804</b>
<b>Operating income</b>		<b>527,665</b>	<b>778,959</b>	<b>532,238</b>	<b>952,348</b>
Finance income	24	15,102	40,706	17,358	44,242
Finance costs	24	86,279	152,387	139,333	253,752
Other non-operating income	23	13,569	28,592	13,370	20,343
Other non-operating expenses	23	25,622	55,491	26,730	57,301
Gain on disposal of investments in subsidiaries and associates	8				71,200
<b>Profit before income tax</b>		<b>444,435</b>	<b>640,379</b>	<b>396,903</b>	<b>777,080</b>
Income tax expense	25	81,061	123,472	83,472	161,471
<b>Profit for the period</b>		<b>363,374</b>	<b>516,907</b>	<b>313,431</b>	<b>615,609</b>
<b>Earnings per share (in won)</b>					
Basic earnings per share	26	5,004	7,168	4,471	8,806
Diluted earnings per share	26	5,004	7,168	4,471	8,806

*See accompanying notes to the condensed separate interim financial statements.*

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SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2014 and 2013

*(In millions of won)*

		June 30, 2014		June 30, 2013	
	Note	Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
<b>Profit for the period</b>		<b>363,374</b>	<b>516,907</b>	<b>313,431</b>	<b>615,609</b>
<b>Other comprehensive loss</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	15	(6,467)	(9,585)	(2,968)	(5,317)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	21	(9,136)	(51,431)	(28,921)	(48,242)
Net change in unrealized fair value of derivatives	16,21	(21,064)	(16,693)	(56,642)	(64,092)
<b>Total other comprehensive loss, net of taxes</b>		<b>(36,667)</b>	<b>(77,709)</b>	<b>(88,531)</b>	<b>(117,651)</b>
<b>Total comprehensive income</b>		<b>326,707</b>	<b>439,198</b>	<b>224,900</b>	<b>497,958</b>

*See accompanying notes to the condensed separate interim financial statements.*

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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the six-month periods ended June 30, 2014 and 2013

*(In millions of won)*

	Share capital	Paid-in surplus	Capital surplus and other capital adjustments			Other	Retained earnings	Reserves	Total equity
			Treasury stock	Loss on disposal of treasury stock	Hybrid bond				
<b>Balance, January 1, 2013</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,410,451)</b>	<b>(18,855)</b>		<b>(722,741)</b>	<b>12,413,981</b>	<b>154,588</b>	<b>12,377,048</b>
Cash dividends							(585,438)		(585,438)
Issuance of hybrid bond					398,518				398,518
Interest on hybrid bond							(1,058)		(1,058)
Treasury stock			177,442	(1,357)					176,085
Total comprehensive income							615,609		615,609
Profit for the period									
Other comprehensive loss							(5,317)	(112,334)	(117,651)
<b>Balance, June 30, 2013</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,233,009)</b>	<b>(20,212)</b>	<b>398,518</b>	<b>(722,741)</b>	<b>12,437,777</b>	<b>42,254</b>	<b>12,863,113</b>
<b>Balance, January 1, 2014</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,139,683)</b>	<b>(18,087)</b>	<b>398,518</b>	<b>(722,741)</b>	<b>12,665,699</b>	<b>171,176</b>	<b>13,315,408</b>
Cash dividends							(595,865)		(595,865)
Interest on hybrid bond							(8,420)		(8,420)
Total Comprehensive Income							516,907		516,907
Profit for the period									
Other comprehensive loss							(9,585)	(68,124)	(77,709)
<b>Balance, June 30, 2014</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,139,683)</b>	<b>(18,087)</b>	<b>398,518</b>	<b>(722,741)</b>	<b>12,568,736</b>	<b>103,052</b>	<b>13,150,321</b>

*See accompanying notes to the condensed separate interim financial statements.*

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2014 and 2013

<i>(In millions of won)</i>	Note	June 30, 2014	June 30, 2013
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		516,907	615,609
Adjustments for income and expenses	31	1,361,390	1,396,172
Changes in assets and liabilities related to operating activities	31	(452,702)	(710,472)
Sub-total		1,425,595	1,301,309
Interest received		9,065	11,401
Dividends received		10,567	12,643
Interest paid		(115,795)	(133,545)
Income tax paid		(96,712)	(29,428)
<b>Net cash provided by operating activities</b>		<b>1,232,720</b>	<b>1,162,380</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		10,000	40,800
Decrease in short-term investment securities, net		55,002	
Collection of short-term loans		69,413	170,110
Proceeds from disposal of long-term investment securities		44,572	11,336
Proceeds from disposal of property and equipment		9,350	1,511
Proceeds from disposal of intangible assets		275	635
Proceeds from disposal of assets held for sale		1,056	190,393
Collection of long-term loans		1,988	8,810
Proceeds from disposal of other non-current assets		90	177
Sub-total		191,746	423,772
Cash outflows for investing activities:			
Increase in short-term investment securities, net			(5,000)
Increase in short-term loans		(85,960)	(166,592)
Acquisition of long-term investment securities		(8,357)	(3,084)
Acquisition of investments in subsidiaries and associates		(146,536)	(204,043)
Acquisition of property and equipment		(1,024,367)	(927,770)
Acquisition of intangible assets		(23,489)	(19,229)
Increase in long-term loans		(45)	
Sub-total		(1,288,754)	(1,325,718)
<b>Net cash used in investing activities</b>		<b>(1,097,008)</b>	<b>(901,946)</b>

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2014 and 2013

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	440,000	40,000
Proceeds from long-term borrowings	3,552	
Issuance of hybrid bond		398,518
Issuance of debenture	299,354	1,014,858
Cash inflows from settlement of derivatives	118	2,274
 Sub-total	 743,024	 1,455,650
Cash outflows for financing activities:		
Repayment of short-term borrowings		(370,000)
Repayment of long-term borrowings	(6,407)	(350,000)
Repayment of long-term account payables other	(207,668)	(161,574)
Repayment of debentures	(96,151)	
Payment of cash dividends	(595,865)	(585,438)
Payment of interest on hybrid bond	(8,420)	
Cash outflows from settlement of derivatives	(335)	
 Sub-total	 (914,846)	 (1,467,012)
 <b>Net cash used in financing activities</b>	 <b>(171,822)</b>	 <b>(11,362)</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	 <b>(36,110)</b>	 <b>249,072</b>
Cash and cash equivalents at beginning of the period	448,459	256,577
Effects of exchange rate changes on cash and cash equivalents	(155)	155
 <b>Cash and cash equivalents at end of the period</b>	 <b>412,194</b>	 <b>505,804</b>

*See accompanying notes to the condensed separate interim financial statements.*

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**1. Reporting Entity**

SK Telecom Co., Ltd. ( the Company ) was incorporated in March 1984 under the laws of the Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2014, the Company's total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority stockholders	50,572,884	62.63
Treasury stock	9,809,375	12.15
Total number of shares	80,745,711	100.00

**2. Basis of Presentation****(1) Statement of compliance**

The condensed separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards ( K-IFRS ), as prescribed in the Act on External Audits of Stock Companies.

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Company's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as at and for the year ended December 31, 2013. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a joint venture, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

**(2) Use of estimates and judgments****1) Assumptions and estimation uncertainties**

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



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In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2013.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**2. Basis of Presentation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

The Company establishes fair value measurement policies and procedures as its accounting policies and disclosures require fair value measurements for the majority of financial and non-financial assets and liabilities. Such policies and procedures are executed by the valuation division, which is responsible for the review of significant fair value measurements including fair value classified as level 3 in the fair value hierarchy and the results of which are directly reported to the finance executive.

The valuation division regularly reviews unobservable significant inputs and valuation adjustments. If third party information such as prices available from an exchange, dealer, broker, industry group, pricing service or regulatory agency is used for fair value measurements, the valuation division reviews whether the valuation based on third party information includes classification by levels within the fair value hierarchy and meets the requirements for the relevant standards.

The Company uses the best observable inputs in market when measuring fair values of assets or liabilities. Fair values are classified within the fair value hierarchy based on inputs used in valuation method, as follows:

- ü Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
  
- ü Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
  
- ü Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If various inputs used to measure fair value of assets or liabilities are transferred between levels of the fair value hierarchy, the Company classifies the assets and liabilities at the lowest level of inputs among the fair value hierarchy which is significant to the entire measured value and recognizes transfers between levels at the end of the reporting period of which such transfers occurred.

Information about assumptions used for fair value measurements are included in Note 28.

(3) Common control transactions

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

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**3. Significant Accounting Policies**

Except as described below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2013. The following changes in accounting policy are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2014.

(1) Changes in accounting policies

1) Offsetting financial assets and financial liabilities

The Company has applied the amendments to K-IFRS No.1032, Financial instruments: Presentation since January 1, 2014. This standard requires financial assets and financial liabilities being offset and the presentation of financial assets and financial liabilities on a net basis when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right of set-off that cannot be contingent on a future event, and must be legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) an event of default; and (iii) an event of insolvency or bankruptcy of the entity or any of the counterparties.

To meet the net settlement criterion, all settlements need to remove or reduce credit risk or liquidity risk as minor level. In case of single payment or payment period which can handle bonds and payables, settlement result needs to be paid as same as practical settle net.

There is no material impact of the application of this amendment on the Company's financial statements.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**4. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2014 and December 31, 2013 are summarized as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Short-term financial instruments(*)	76,000	76,000
Long-term financial instruments(*)	7,569	7,569
Guarantee deposits	40	40
	83,609	83,609

(\*) Financial instruments include charitable trust fund established by the Company. Profits from this charitable fund are donated to charitable institutions. As of June 30, 2014 the funds cannot be withdrawn.

**5. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014		
	Gross amount	Allowances for impairment	Carrying amount
<b>Current assets:</b>			
Accounts receivable trade	1,703,498	(106,235)	1,597,263
Short-term loans	76,493	(765)	75,728
Accounts receivable other	392,886	(54,025)	338,861
Accrued income	6,306		6,306
	2,179,183	(161,025)	2,018,158
<b>Non-current assets:</b>			
Long-term loans	72,730	(21,799)	50,931
Guarantee deposits	151,838		151,838
	224,568	(21,799)	202,769
	2,403,751	(182,824)	2,220,927

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(In millions of won)

	December 31, 2013		
	Gross amount	Allowances for impairment	Carrying amount
<b>Current assets:</b>			
Accounts receivable trade	1,614,466	(101,328)	1,513,138
Short-term loans	72,928	(730)	72,198
Accounts receivable other	439,209	(50,734)	388,475
Accrued income	5,682		5,682
	2,132,285	(152,792)	1,979,493
<b>Non-current assets:</b>			
Long-term loans	61,613	(21,688)	39,925
Guarantee deposits	152,057		152,057
	213,670	(21,688)	191,982
	2,345,955	(174,480)	2,171,475

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**5. Trade and Other Receivables, Continued**

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the six-month periods ended June 30, 2014 and 2013 were as follows:

*(In millions of won)*

	June 30, 2014	June 30, 2013
Balance at January 1	174,480	153,337
Increase of bad debt allowances	16,034	16,365
Increase of bad debt allowances-others	8,123	16,326
Write-offs	(25,391)	(28,014)
Collection of receivables previously written-off	9,578	9,624
Balance at June 30	182,824	167,638

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014		December 31, 2013	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
Neither overdue nor impaired	1,236,806	591,670	1,169,946	622,679
Overdue but not impaired	51,324		32,705	
Impaired	415,368	108,583	411,815	108,810
	1,703,498	700,253	1,614,466	731,489
Allowances for doubtful accounts	(106,235)	(76,589)	(101,328)	(73,152)
	1,597,263	623,664	1,513,138	658,337

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

- (4) The aging of overdue but not impaired accounts receivable as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
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Less than 1 month	27,805	9,549
1 ~ 3 months	4,935	6,975
3 ~ 6 months	4,436	2,565
More than 6 months	14,148	13,616
	51,324	32,705

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**6. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Beneficiary certificates(*)	46,649	101,414
Current portion of long-term investment securities	625	628
	<b>47,274</b>	<b>102,042</b>

(\*) The interest distributions arising from beneficiary certificates as of June 30, 2014, were accounted for as accrued income.

(2) Details of long-term investment securities as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Equity securities:</b>		
Marketable equity securities	515,772	574,321
Unlisted equity securities	24,830	22,870
Equity investments	63,925	111,792
	<b>604,527</b>	<b>708,983</b>
<b>Debt securities:</b>		
Public bonds(*1)	353	356
Investment bonds(*2)	6,460	20,992
	<b>6,813</b>	<b>21,348</b>
<b>Total</b>	<b>611,340</b>	<b>730,331</b>
Less current portion of long-term investment securities	(625)	(628)
<b>Long-term investment securities</b>	<b>610,715</b>	<b>729,703</b>

(\*1) Details of maturity for the public bonds as of June 30, 2014 and December 31, 2013 are as follows:



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*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Less than 1 year	353	356

- (\*2) During the six-month period ended June 30, 2014, the Company exercised the conversion right for the convertible bonds of NanoEnTek, Inc., which were classified as financial assets at fair value through profit or loss. As a result of this transaction, investments in associates have increased by 19,180 million and the difference between carrying amount of the financial assets at fair value and fair value of 1,352 million is accounted for as finance costs.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**7. Assets Held for Sale**

Disposal contracts for the Company's ownership interests in SK Fans Co., Ltd. and TR Entertainment, investments in associates, have been entered, and investments in associates were reclassified to non-current assets held for sale.

Non-current assets held for sale as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Investments in associates:		
TR Entertainment(*1)	2,611	2,611
SK Fans Co., Ltd.(*2)		1,056
	2,611	3,667

(\*1) A disposal contract for the Company ownership interests in TR Entertainment was entered into during the year ended December 31, 2013 and the investment in the associate was reclassified to assets classified held for sale and an impairment loss of 4,019 million was recognized.

(\*2) For the year ended December 31, 2013, contract changes for SK Fans Co., Ltd. has been made and the Company recognized the difference between the changes and the existing contractual amount as impairment loss. For the six-month period ended June 30, 2014, the Company disposed of its investments in SK Fans Co., Ltd. In 2014.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**8. Investments in Subsidiaries and Associates**

(1) Investments in subsidiaries and associates as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Investments in subsidiaries	3,592,746	3,453,988
Investments in associates	4,583,092	4,556,133
	<b>8,175,838</b>	<b>8,010,121</b>

(2) Details of investments in subsidiaries as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>Number of shares</b>	<b>June 30, 2014 Ownership (%)</b>	<b>Carrying amount</b>	<b>December 31, 2013 Carrying amount</b>
SK Telink Co., Ltd.	1,082,272	83.5	144,740	144,740
SK Broadband Co., Ltd.	149,638,354	50.6	1,242,247	1,242,247
PS&Marketing Corporation(*1)	66,000,000	100.0	313,934	213,934
Service Ace Co., Ltd.	4,385,400	100.0	21,927	21,927
Service Top Co., Ltd.	2,856,200	100.0	14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0	15,000	15,000
SK Planet Co., Ltd.	72,927,317	100.0	1,538,020	1,538,020
Neosnetworks Co., Ltd.(*2)	31,310	66.7	23,968	
SK Telecom China Holdings Co., Ltd.		100.0	29,116	29,116
SKT Vietnam PTE. Ltd.	180,476,700	73.3	2,364	2,364
SKT Americas, Inc.	122	100.0	78,811	76,764
YTK Investment Ltd.		100.0	69,464	69,464
Atlas Investment(*3)		100.0	73,090	60,347
SK Global Healthcare Business Group Ltd.		100.0	25,784	25,784
			<b>3,592,746</b>	<b>3,453,988</b>

(\*1) The Company participated in increasing paid-in capital and additionally obtained 20,000,000 shares.

(\*2) During the 6 months ended June 30, 2014, the Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Company entered into a shareholders' agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Company for those shares if certain conditions are met.

(\*3) The company additionally invested 12,743 million.



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**8. Investments in Subsidiaries and Associates, Continued**

(3) Details of investments in associates as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

		June 30, 2014		December 31, 2013
	Number of shares	Ownership percentage (%)	Carrying amount	Carrying amount
SK China Company Ltd.(*1)	720,000	9.6	47,830	47,830
HappyNarae Co., Ltd	680,000	42.5	12,250	12,250
Korea IT Fund(*2)	190	63.3	220,957	220,957
Wave City Development Co., Ltd.(*1)	382,000	19.1	1,532	1,532
HanaSK Card Co., Ltd.	57,647,058	49.0	400,000	400,000
Daehan Kanggun BcN Co., Ltd.	1,675,126	29.0	8,340	8,340
NanoEnTek, Inc.(*3)	5,870,290	26.0	37,959	11,000
SK Industrial Development China Co., Ltd.	72,952,360	21.0	83,691	83,691
Packet One Network	1,153,902	27.0	60,706	60,706
SK Technology Innovation Company	9,800	49.0	85,873	85,873
SK Hynix Inc.	146,100,000	20.4	3,374,725	3,374,725
SK MENA Investment B.V.	9,772,686	32.1	14,485	14,485
SK Latin America Investment S.A.	9,448,937	32.1	14,243	14,243
SKY Property Mgmt. Ltd.	12,639	33.0	145,656	145,656
SK Wyverns Baseball Club Co., Ltd. and others			74,845	74,845
			4,583,092	4,556,133

(\*1) Classified as investments in associates because the Company can exercise significant influence over the associates through participation on the associate's board of directors.

(\*2) Classified as an investment in associates as the Company has less than 50% of the voting rights of the board of directors.

(\*3) The number of shares increased by 2,812,374 and 1,250,786, respectively, due to a conversion of convertible bond and the additional investment.

(4) The market price of investments in listed subsidiaries as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won, except for share data)

	June 30, 2014			December 31, 2013		
	Market value per share (In won)	Number of shares held	Market price	Market value per share (In won)	Number of shares held	Market price
SK Broadband Co., Ltd.	3,640	149,638,354	544,684	4,375	149,638,354	654,668



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For the six-month periods ended June 30, 2014 and 2013

**9. Property and Equipment**

(1) Changes in property and equipment for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	416,991	3,372		14,221		434,584
Buildings	585,375	428	(101)	5,967	(17,177)	574,492
Structures	363,093	125		3,406	(16,257)	350,367
Machinery	4,945,088	30,095	(709)	729,287	(772,697)	4,931,064
Other	472,832	533,525	(1,140)	(339,991)	(51,053)	614,173
Construction in progress	676,607	178,473	(9,438)	(431,598)		414,044
	7,459,986	746,018	(11,388)	(18,708)	(857,184)	7,318,724

*(In millions of won)*

	For the six-month period ended June 30, 2013					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	395,968	4,596	(14)	4,634		405,184
Buildings	607,973	34	(99)	1,803	(17,209)	592,502
Structures	363,364	946	(7)	6,025	(17,538)	352,790
Machinery	4,532,811	26,989	(5,335)	869,288	(749,863)	4,673,890
Other	579,448	434,801	(921)	(468,169)	(49,394)	495,765
Construction in progress	639,526	152,426	(5,695)	(440,405)		345,852
	7,119,090	619,792	(12,071)	(26,824)	(834,004)	6,865,983

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For the six-month periods ended June 30, 2014 and 2013

**10. Goodwill**

Goodwill as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Goodwill related to acquisition of Shinsegi Telecom, Inc.	1,306,236	1,306,236

**11. Intangible Assets**

(1) Details of changes in intangible assets for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	Beginning balance	For the six-month period ended June 30, 2014				Ending balance
		Acquisition	Disposal	Transfer	Amortization	
Frequency use rights	1,664,571				(140,264)	1,524,307
Land use rights	9,752	4,000			(2,038)	11,714
Industrial rights	9,113	2,796			(1,717)	10,192
Facility usage rights	16,155	615	(16)	379	(1,250)	15,883
Memberships	82,815					82,815
Other	456,761	16,078	(330)	31,600	(81,137)	422,972
	2,239,167	23,489	(346)	31,979	(226,406)	2,067,883

*(In millions of won)*

	Beginning balance	For the six-month period ended June 30, 2013				Ending balance
		Acquisition	Disposal	Transfer	Amortization	
Frequency use rights	1,693,868				(126,306)	1,567,562
Land use rights	9,815	913	(50)		(2,225)	8,453
Industrial rights	9,769	1,027	(74)		(1,240)	9,482
Development costs	665				(464)	201
Facility usage rights	16,786	662	(49)		(1,198)	16,201
Memberships	81,518	2,066	(501)			83,083
Other	375,451	14,561		39,984	(70,032)	359,964
	2,187,872	19,229	(674)	39,984	(201,465)	2,044,946





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For the six-month periods ended June 30, 2014 and 2013

**11. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of frequency usage rights as of June 30, 2014 are as follows:

*(In millions of won)*

	Amount	Description	Commencement of amortization	Completion of amortization
W-CDMA license	246,394	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	40,777	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	283,808	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	942,150	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	11,178	WiBro service	Mar. 2012	Mar. 2019
	1,524,307			

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For the six-month periods ended June 30, 2014 and 2013

**12. Borrowings and Debentures**

(1) Short-term borrowings as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

Lender	Annual interest rate (%)	Maturity	June 30, 2014	December 31, 2013
Kookmin Bank	3.48	Jan. 3, 2014		60,000
	3.48	Jul. 15, 2014	100,000	
Korea Development Bank	3.04	Oct. 15, 2014	100,000	
Shinhan Bank	3.46	Jul. 15, 2014	100,000	
CP	3.09	Jan. 3, 2014		100,000
	3.09	Jan. 6, 2014		100,000
	2.68	Jul. 16, 2014	200,000	
	2.70	Jul. 24, 2014	200,000	
			700,000	260,000

(2) Long-term borrowings as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won and thousands of U.S. dollars)*

Lender	Annual interest rate (%)	Maturity	June 30, 2014	December 31, 2013
Export Kreditnamnden(*)			93,425	99,975
	1.7	Apr. 29, 2022	(USD 92,098)	(USD 94,736)
Less present value discount on long-term borrowings			93,425	99,975
			(2,743)	(3,287)
			90,682	96,688
Less current portion of long-term borrowings			(11,163)	(11,563)
			79,519	85,125

(\*) For the year ended December 31, 2013, the Company obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installment on an annual basis from 2014 to 2022.



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SK TELECOM CO., LTD.

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For the six-month periods ended June 30, 2014 and 2013

**12. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, thousands of U.S. dollars, and thousands of other currencies)*

	Purpose	Maturity	Annual interest rate (%)	June 30, 2014	December 31, 2013
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and refinancing fund	2019	3.24	170,000	170,000
Unsecured private bonds		2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	
Unsecured private bonds		2024	3.64	150,000	
Unsecured private bonds(*4)		2029	4.73	53,909	
Unsecured private bonds(*4)		2029	4.72	53,885	
Foreign global bonds		2027	6.63	405,760	422,120
				(USD 400,000)	(USD 400,000)
Exchangeable bonds (*3)	Refinancing fund	2014	1.75		96,147
					(USD 91,109)
Floating rate notes (*1)			3M		
	Operating fund	2014	Libor + 1.60	253,600	263,825
				(USD 250,000)	(USD 250,000)
Floating rate notes (*2)			SOR		
		2014	rate + 1.20	52,768	54,129
				(SGD 65,000)	(SGD 65,000)
Swiss unsecured private bonds		2017	1.75	341,529	356,601
				(CHF 300,000)	(CHF 300,000)
Foreign global bonds		2018	2.13	710,080	738,710
				(USD 700,000)	(USD 700,000)
Australian unsecured private bonds		2017	4.75	286,578	281,988
				(AUD 300,000)	(AUD 300,000)
Floating rate notes (*1)			3M		
		2020	Libor + 0.88	304,320	316,590

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	(USD 300,000)	(USD 300,000)
	4,792,429	4,660,110
Less discounts on bonds	(29,372)	(34,193)
	4,763,057	4,625,917
Less current portion of bonds	(704,047)	(611,140)
	4,059,010	4,014,777

(\*1) As of June 30, 2014, 3M Libor rate is 0.23%.

(\*2) As of June 30, 2014, SOR rate is 0.22%.

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For the six-month periods ended June 30, 2014 and 2013

**12. Borrowings and Debentures, Continued**

(\*3) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Company may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Company will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and has been redeemed by cash during the six-month period ended June 30, 2014

(\*4) The Company settled the difference of the measurement bases of accounting profit or loss between the related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 7,793 million as of June 30, 2014.

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**13. Long-term Payables other**

- 1) As of June 30, 2014 and December 31, 2013, long-term payables consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHz, 1.8GHz and 2.3GHz frequencies as follows (Refer to Note 11):

*(In millions of won)*

	<b>Period of repayment</b>	<b>Coupon rate</b>	<b>Annual effective interest rate(*)</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
2.1GHz	2012~2014	3.58%	5.89%		17,533
800MHz	2013~2015	3.51%	5.69%	69,416	138,833
2.3GHz	2014~2016	3.00%	5.80%	5,766	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	824,841	942,675
				900,023	1,107,691
Present value discount on long-term payables other				(62,582)	(72,170)
				837,441	1,035,521
Less current portion of long-term payables other				(187,444)	(206,800)
Carrying amount at period end				649,997	828,721

- (\*) The Company estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables-other.

- (2) The repayment schedule of long-term payables other as of June 30, 2014 is as follows:

<i>(In millions of won)</i>	<b>Amount</b>
Less than 1 year	190,134
1~3 years	238,552
3~5 years	235,669
More than 5 years	235,668
	900,023



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**14. Provisions**

Changes in provisions for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014				As of June 30, 2014		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for handset subsidy	53,923	86,249	(49,206)		90,966	58,043	32,923
Provision for restoration	32,173	1,528	(180)	(884)	32,637	17,590	15,047
	86,096	87,777	(49,386)	(884)	123,603	75,633	47,970

*(In millions of won)*

	For the six-month period ended June 30, 2013				As of June 30, 2013		
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for handset subsidy	353,383	2,413	(200,072)		155,724	136,489	19,235
Provision for restoration	32,791	2,199	(144)	(758)	34,088	9,285	24,803
	386,174	4,612	(200,216)	(758)	189,812	145,774	44,038

The Company recognizes a provision for handset subsidies given to the subscribers who purchase handsets on an installment basis.

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For the six-month periods ended June 30, 2014 and 2013

**15. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Present value of defined benefit obligations	176,557	154,460
Fair value of plan assets	(134,378)	(131,574)
	42,179	22,886

(2) Principal actuarial assumptions as of June 30, 2014 and December 31, 2013 are as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Discount rate for defined benefit obligations	3.96%	3.96%
Expected rate of salary increase	4.32%	4.32%

Discount rate for defined benefit obligation is determined based on the Company's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligation. Expected rate of salary increase is determined based on the Company's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Beginning balance	154,460	133,098
Current service cost	16,294	16,843
Interest cost	2,990	2,351
Remeasurement :		
- Adjustment based on experience	12,086	8,045
Benefit paid	(10,710)	(13,554)
Others(*)	1,437	3,468
Ending balance	176,557	150,251

(\*) Others for the six-month periods ended June 30, 2014 and 2013 include transfer to construction in progress and liabilities succeeded in relation to transfer of executives from affiliates.



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For the six-month periods ended June 30, 2014 and 2013

**15. Defined Benefit Liabilities, Continued**

- (4) Changes in plan assets for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Beginning balance	131,574	98,147
Interest income	2,480	1,653
Actuarial gain(loss)	(560)	1,031
Contributions to the plan	4,000	4,000
Benefit paid	(3,116)	(4,074)
Ending balance	134,378	100,757

Actual return on plan assets for the six-month periods ended June 30, 2014 and 2013 amounted to 1,920 million and 2,684 million, respectively.

- (5) Expenses recognized in profit and loss and capitalized into construction-in-progress for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Current service cost	16,294	16,843
Net interest cost	510	698
	16,804	17,541

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

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**16. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of June 30, 2014 are as follows:

*(In thousands of foreign currencies)*

<b>Borrowing date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>Contract type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	United Overseas Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 250,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank and Citi bank	Dec. 15, 2011 ~ Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	Foreign currency risk	Currency swap	Citibank and five other banks	Jun. 12, 2012 ~ Jun. 12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	Foreign currency risk	Currency swap	Barclays and nine other banks	Nov. 1, 2012 ~ May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	Foreign currency risk	Currency swap	BNP Paribas and three other banks	Jan. 17, 2013 ~ Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020
Dec. 16, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of USD 92,098)	Foreign currency risk	Currency swap	Deutsche bank	Dec. 16, 2013 ~ Apr. 29, 2022

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For the six-month periods ended June 30, 2014 and 2013

**16. Derivative Instruments, Continued**

- (2) As of June 30, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

*(In millions of won and thousands of foreign currencies)*

Hedged item	Accumulated gain (loss) on valuation of derivatives	Fair value		Held for trading purpose	Total
		Cash flow hedge Tax effect	Accumulated foreign currency translations gain (loss) Others(*)		
<b>Non-current assets:</b>					
Structured bond(*) (face value of KRW 100,000)				6,017	6,017
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	(48,130)	(15,367)	(50,973)	129,806	15,336
<b>Total assets</b>					21,353
<b>Current liabilities:</b>					
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000)	47	15	(4,683)		(4,621)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 250,000)	5,538	1,768	(35,807)		(28,501)
<b>Non-current liabilities:</b>					
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	(8,026)	(2,562)	(21,910)		(32,498)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	(12,082)	(3,857)	(52,811)		(68,750)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	6,919	2,208	(48,732)		(39,605)
Floating-to-fixed cross currency interest rate swap (face amounts of USD 300,000)	2,344	749	(20,669)		(17,576)
Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 92,098)	(3,336)	(1,065)	(3,527)		(7,928)
<b>Total liabilities</b>					(199,479)

- (\*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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**17. Share Capital and Capital Surplus and Other Capital Adjustments**

The Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, except for share data)*

	June 30, 2014	December 31, 2013
Authorized shares	220,000,000	220,000,000
Issued shares(*)	80,745,711	80,745,711
Share capital		
Common stock	44,639	44,639
Capital surplus and other capital adjustments:		
Paid-in surplus	2,915,887	2,915,887
Treasury stock (Note 18)	(2,139,683)	(2,139,683)
Loss on disposal of treasury stock	(18,087)	(18,087)
Hybrid bond (note 19)	398,518	398,518
Others	(722,741)	(722,741)
	433,894	433,894

(\*) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for the six-month period ended June 30, 2014 and the year ended December 31, 2013.

Changes in number of shares outstanding for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In shares)*

	Issued shares	June 30, 2014		For the six-month period ended		
		Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Issued shares	80,745,711	9,809,375	70,936,336	80,745,711	10,237,229	70,508,482



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**18. Treasury Stock**

The Company acquired treasury stock to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed. Treasury stock as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won, shares)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Number of shares	9,809,375	9,809,375
Amount	2,139,683	2,139,683

**19. Hybrid Bonds**

Hybrid bonds classified as equity as of June 30, 2014 is as follows:

*(In millions of won)*

	<b>Type</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Annual interest rate (%)</b>	<b>Amount</b>
Private hybrid bonds	Blank coupon unguaranteed subordinated bond	June 7, 2013	June 7, 2073(*1)	4.21(*2)	400,000
Issuance costs					(1,482)
					398,518

Hybrid bonds issued by the Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common shareholders in the event of a liquidation or reorganization of the Company.

(\*1) The Company has a right to extend the maturity under the same issuance terms without any notice or announcement.

(\*2) Annual interest rate is adjusted after five years from the issuance date.

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**20. Retained Earnings**

(1) Retained earnings as of June 30, 2014 and December 31 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Appropriated:</b>		
Legal reserve	22,320	22,320
Reserve for research & manpower development	151,533	155,767
Reserve for business expansion	9,476,138	9,376,138
Reserve for technology development	2,416,300	2,271,300
	12,066,291	11,825,525
<b>Unappropriated</b>	<b>502,445</b>	<b>840,174</b>
	12,568,736	12,665,699

(2) Legal reserve

The Korean Commercial Code requires the Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research &amp; manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

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**21. Reserves**

- (1) Details of reserves, net of taxes, as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014	December 31, 2013
Net change in unrealized fair value of available-for-sale financial assets	159,778	211,209
Net change in unrealized fair value of derivatives	(56,726)	(40,033)
	103,052	171,176

- (2) Changes in reserves for the six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	For the six-month period ended June 30, 2014		
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	Total
Balance at January 1, 2014	211,209	(40,033)	171,176
Changes	(67,851)	(22,022)	(89,873)
Tax effect	16,420	5,329	21,749
Balance at June 30, 2014	159,778	(56,726)	103,052

*(In millions of won)*

	For the six-month period ended June 30, 2013		
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	Total
Balance at January 1, 2013	206,414	(51,826)	154,588
Changes	(63,643)	(84,554)	(148,197)
Tax effect	15,401	20,462	35,863
Balance at June 30, 2013	158,172	(115,918)	42,254



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**22. Other Operating Expenses**

Details of other operating expenses for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Other Operating Expenses:</b>				
Communication expenses	10,671	21,863	12,775	25,512
Utilities	37,588	83,713	37,401	76,991
Taxes and dues	4,043	8,809	3,395	7,702
Repair	45,074	86,517	48,798	86,850
Research and development	57,254	108,358	56,652	109,351
Training	5,751	11,968	5,350	9,952
Bad debt for accounts receivables trade	12,039	16,034	11,190	16,365
Other	10,342	35,861	12,755	21,653
	182,762	373,123	188,316	354,376

**23. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Other Non-operating Income:</b>				
Gain on disposal of property and equipment and intangible assets	489	600	510	858
Others(*1)	13,080	27,992	12,860	19,485
	13,569	28,592	13,370	20,343
<b>Other Non-operating Expenses:</b>				
Loss on disposal of property and equipment and intangible assets	1,146	2,709	6,918	11,457
Donations	18,581	26,560	9,424	21,288
Bad debt for accounts receivable other	5,153	8,123	5,974	16,326
Others(*2)	742	18,099	4,414	8,230

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25,622	55,491	26,730	57,301
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(\*1) Others for the six-month period ended June 30, 2014 primarily consists of 8.6 billion of VAT refund.

(\*2) Others for the six-month period ended June 30, 2014 primarily consists of 16.7 billion of penalties.

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For the six-month periods ended June 30, 2014 and 2013

**24. Finance Income and Costs**

(1) Details of finance income and costs for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
<b>Finance Income:</b>				
Interest income	5,999	12,827	8,039	16,471
Dividends	939	10,567	65	12,643
Gain on foreign currency transactions	1,212	5,211	4,599	6,729
Gain on foreign currency translation		115	1,858	1,468
Gain relating to financial asset at fair value through profit or loss			2,427	3,365
Gain on disposal of long-term investment securities	935	5,851	370	1,292
Gain on valuation of derivatives	6,017	6,017		
Gain on settlement of derivatives		118		2,274
	15,102	40,706	17,358	44,242
<b>Finance Costs:</b>				
Interest expense	68,473	132,372	69,547	143,098
Loss on foreign currency transactions	5,148	8,783	3,271	5,852
Loss on foreign currency translation	2,106	1,741		128
Loss on disposal of long-term investment securities	5	6	1	73
Loss on settlement of derivatives	335	335		
Loss relating to financial asset at fair value through profit or loss	2,419	1,352		
Loss relating to financial liability at fair value through profit or loss(*)	7,793	7,798	66,514	104,601
	86,279	152,387	139,333	253,752

(\*) Loss relating to financial liability at fair value through profit or loss for the six-month period ended June 30, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

(2) Details of interest income included in finance income for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest income on cash equivalents and deposits	3,128	6,674	4,858	9,738
Interest income on installment receivables and others	2,871	6,153	3,181	6,733
	5,999	12,827	8,039	16,471



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For the six-month periods ended June 30, 2014 and 2013

**24. Finance Income and Costs, Continued**

- (3) Details of interest expense included in finance costs for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Interest expense on bank overdrafts and borrowings	7,648	11,983	6,393	18,574
Interest expense on debentures	49,378	96,536	54,553	105,141
Others	11,447	23,853	8,601	19,383
	68,473	132,372	69,547	143,098

- (4) Details of impairment losses for financial assets for the three and six-month periods ended June 30, 2014 and 2013 are as follows.

(In millions of won)

	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Bad debt for accounts receivable trade	12,039	16,034	11,190	16,365
Bad debt for accounts receivable other	5,153	8,123	5,974	16,326
	17,192	24,157	17,164	32,691

**25. Income Tax Expense**

Income tax expense was recognized as current tax expense adjusted to changes in estimates related to prior periods, deferred tax expenses by origination and reversal of temporary differences, and income tax recognized in other comprehensive income.

**26. Earnings per Share**

- (1) Basic earnings per share

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- 1) Basic earnings per share for the three and six-month periods ended June 30, 2014 and 2013 are calculated as follows:

*(In millions of won, shares)*

	<b>2014</b>		<b>2013</b>	
	<b>Three-month period ended June 30</b>	<b>Six-month period ended June 30</b>	<b>Three-month period ended June 30</b>	<b>Six-month period ended June 30</b>
Profit for the period	363,374	516,907	313,431	615,609
Dividend on hybrid bond	(8,420)	(8,420)	(1,058)	(1,058)
Profit for the period on common shares	354,954	508,487	312,373	614,551
Weighted average number of common shares outstanding	70,936,336	70,936,336	69,872,438	69,784,208
<b>Basic earnings per share (In won)</b>	<b>5,004</b>	<b>7,168</b>	<b>4,471</b>	<b>8,806</b>

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**26. Earnings per Share, Continued**

(1) Basic earnings per share, Continued

2) The weighted average number of common shares outstanding for the three and six-month periods ended June 30, 2014 and 2013 are calculated as follows:

*(In shares)*

	Number of shares	Weighted number of shares Three-month period ended June 30	Six-month period ended June 30
Outstanding common shares at January 1, 2014	80,745,711	80,745,711	80,745,711
Effect of treasury stock	(9,809,375)	(9,809,375)	(9,809,375)
<b>Weighted average number of common shares outstanding at June 30, 2014</b>	<b>70,936,336</b>	<b>70,936,336</b>	<b>70,936,336</b>

*(In shares)*

	Number of shares	Weighted number of shares Three-month period ended June 30	Six-month period ended June 30
Outstanding common shares at January 1, 2013	80,745,711	80,745,711	80,745,711
Effect of treasury stock	(11,050,712)	(11,050,712)	(11,050,712)
Exchange of exchangeable bonds	813,483	177,439	89,209
<b>Weighted average number of common shares outstanding at June 30, 2013</b>	<b>70,508,482</b>	<b>69,872,438</b>	<b>69,784,208</b>

(2) Diluted earnings per share

For the six-month period ended June 30, 2014, potential ordinary share does not exist. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the six-month period ended June 30, 2013 as effect would have been anti-dilutive (diluted shares of 2,421,077); therefore, diluted earnings per share for the six-month period ended June 30, 2014 and 2013 are same as basic earnings per share.

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**27. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	June 30, 2014				
	Trading financial assets	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
Cash and cash equivalents			412,194		412,194
Financial instruments			163,569		163,569
Short-term investment securities		47,274			47,274
Long-term investment securities		610,715			610,715
Accounts receivable trade			1,597,263		1,597,263
Loans and receivables(*2)			623,664		623,664
Derivative financial assets	6,017			15,336	21,353
	6,017	657,989	2,796,690	15,336	3,476,032

*(In millions of won)*

	December 31, 2013				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
Cash and cash equivalents			448,459		448,459
Financial instruments			173,569		173,569
Short-term investment securities		102,042			102,042
Long-term investment securities(*1)	20,532	709,171			729,703
Accounts receivable trade			1,513,138		1,513,138
Loans and receivables(*2)			658,337		658,337
Derivative financial assets				41,712	41,712
	20,532	811,213	2,793,503	41,712	3,666,960

(\*1) Long-term investment securities of which the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured, were designated as financial assets at fair value through profit or loss.



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For the six-month periods ended June 30, 2014 and 2013

**27. Categories of Financial Instruments, Continued**

(1) Financial assets by categories as of June 30, 2014 and December 31, 2013 are as follows, Continued:

(\*2) Details of loans and other receivables as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	June 30, 2014	December 31, 2013
Short-term loans	75,728	72,198
Accounts receivable other	338,861	388,475
Accrued income	6,306	5,682
Long-term loans	50,931	39,925
Guarantee deposits	151,838	152,057
	623,664	658,337

(2) Financial liabilities by categories as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	June 30, 2014			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	
Derivative financial liabilities			199,479	199,479
Borrowings		790,682		790,682
Debentures(*1)	107,794	4,655,263		4,763,057
Accounts payable other and others(*3)		2,265,394		2,265,394
	107,794	7,711,339	199,479	8,018,612

(In millions of won)

	December 31, 2013			Total
	Financial liabilities at fair value through	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged	

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	profit or loss		item	
Derivative financial liabilities			121,380	121,380
Borrowings		356,688		356,688
Debentures(*2)	96,147	4,529,770		4,625,917
Accounts payable other and others(*3)		3,279,604		3,279,604
	96,147	8,166,062	121,380	8,383,589

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**27. Categories of Financial Instruments, Continued**

(2) Financial liabilities by categories as of June 30, 2014 and December 31, 2013 are as follows, Continued:

- (\*1) Bonds classified as financial liabilities at fair value through profit or loss as of June 30, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.
- (\*2) The entire amount of debentures was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.
- (\*3) Details of accounts payable and other payables as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Accounts payable other	792,483	1,556,201
Withholdings	3	3
Accrued expenses	601,175	653,742
Current portion of long-term payables other	187,444	206,800
Long-term payables other	649,997	828,721
Other non-current liabilities	34,292	34,137
	<b>2,265,394</b>	<b>3,279,604</b>

**28. Financial Risk Management**

(1) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. Market risk is the risk related to the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, available-for-sale financial assets, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

1) Market risk

(i) Currency risk

The Company is exposed to currency risk mainly on exchange fluctuations on recognized assets and liabilities. The Company manages currency risk by currency forward, etc. if needed to hedge currency risk on business transactions. Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Company.





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**28. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of June 30, 2014 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)*

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	71,424	71,522	1,730,095	1,755,002
EUR	5,549	7,680	54	75
JPY	64,979	650		
SGD	6	5	64,910	52,694
AUD			298,286	284,941
CHF			298,746	340,101
Other	1,919	3,328	2	
		83,185		2,432,813

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 16)

As of June 30, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	If increased by 10%	If decreased by 10%
USD	6,694	(6,694)
EUR	761	(761)
JPY	65	(65)
Others	333	(333)
	7,853	(7,853)

## (ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of June 30, 2014, available-for-sale equity instruments measured at fair value amounts to 609,392 million.

## (iii) Interest rate risk

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Since the Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company still has interest rate risk arising from borrowings and debentures.

Accordingly, the Company performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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**28. Financial Risk Management, Continued****(1) Financial risk management, Continued**

The Company's interest rate risk arises from floating-rate debentures. As of June 30, 2014, floating-rate debentures amount to 610,688 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (Refer to Note 16). If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2014 would not have been changed due to the interest expense from floating-rate debentures.

**2) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	412,164	448,429
Financial instruments	163,569	173,569
Available-for-sale financial assets	6,813	816
Accounts receivable - trade	1,597,263	1,513,138
Loans and receivables	623,664	658,337
Derivative financial assets	21,353	41,712
Financial assets at fair value through profit or loss		20,532
	<b>2,824,826</b>	<b>2,856,533</b>

To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Company establishes credit limits for each customer or counterparty.

For the six-month period ended June 30, 2014, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of June 30, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 24.

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**28. Financial Risk Management, Continued**

(1) Financial risk management, Continued

3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities.

Contractual maturities of financial liabilities as of June 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings (*1)	790,682	801,646	713,946	51,133	36,567
Debentures (*1)	4,763,057	5,877,713	873,073	2,593,392	2,411,248
Accounts payable - other and others (*2)	2,265,394	2,380,348	1,567,102	567,723	245,523
	7,819,133	9,059,707	3,154,121	3,212,248	2,693,338

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at different amounts.

(\*1) Includes estimated interest to be paid and excludes discounts on borrowings and debentures.

(\*2) Excludes discounts on accounts payable - other and others.

As of June 30, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	15,336	2,449	6,111	29,643	(33,305)
Liabilities	(199,479)	(214,256)	(51,060)	(145,384)	(17,812)
	(184,143)	(211,807)	(44,949)	(115,741)	(51,117)

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**28. Financial Risk Management, Continued****(2) Capital management**

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2013.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the financial statements.

Debt-equity ratio as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Liability	9,343,714	9,512,011
Equity	13,150,321	13,315,408
Debt-equity ratio	71.05%	71.44%

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**28. Financial Risk Management, Continued**

## (3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of June 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	June 30, 2014			Total
		Level 1	Level 2	Level 3	
<b>Financial assets that can be measured at fair value</b>					
Trading financial assets	6,017		6,017		6,017
Derivative financial assets	15,336		15,336		15,336
Available-for-sale financial assets	609,392	515,772	46,648	46,972	609,392
	630,745	515,772	68,001	46,972	630,745
<b>Financial assets that cannot be measured at fair value</b>					
Cash and cash equivalents(*1)	412,194				412,194
Available-for-sale financial assets(*1,2)	48,597				48,597
Accounts receivable trade and others(*1)	2,220,927				2,220,927
Financial instruments(*1)	163,569				163,569
	2,845,287				2,845,287
<b>Financial liabilities that can be measured at fair value</b>					
Debentures	107,794		107,794		107,794
Derivative financial liabilities	199,479		199,479		199,479
	307,273		307,273		307,273
<b>Financial liabilities that cannot be measured at fair value</b>					
Borrowings	790,682		789,041		789,041
Debentures	4,655,263		4,867,836		4,867,836
Accounts payable other and others(*1)	2,265,394				2,265,394
	7,711,339		5,656,877		5,656,877

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For the six-month periods ended June 30, 2014 and 2013

**28. Financial Risk Management, Continued**

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

*(In millions of won)*

	Carrying amount	December 31, 2013			Total
		Level 1	Level 2	Level 3	
<b>Financial assets that can be measured at fair value</b>					
Financial assets at fair value through profit or loss	20,532		20,532		20,532
Derivative financial assets	41,712		41,712		41,712
Available-for-sale financial assets	715,053	574,321	46,414	94,318	715,053
	777,297	574,321	108,658	94,318	777,297
<b>Financial assets that cannot be measured at fair value</b>					
Cash and cash equivalents(*1)	448,459				448,459
Available-for-sale financial assets(*1,2)	96,160				96,160
Accounts receivable trade and others(*1)	2,171,475				2,171,475
Financial instruments(*1)	173,569				173,569
	2,889,663				2,889,663
<b>Financial liabilities that can be measured at fair value</b>					
Financial liabilities at fair value through profit or loss	96,147	96,147			96,147
Derivative financial liabilities	121,380		121,380		121,380
	217,527	96,147	121,380		217,527
<b>Financial liabilities that cannot be measured at fair value</b>					
Borrowings	356,688		369,810		369,810
Debentures	4,529,770		4,621,010		4,621,010
Accounts payable other and others(*1)	3,279,604				3,279,604
	8,166,062		4,990,820		4,990,820

(\*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

(\*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**28. Financial Risk Management, Continued**

## (3) Fair value, Continued

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

The Company uses various valuation methods for valuation of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Company performs valuation using the inputs which are consistent with natures of assets, liabilities being evaluated.

Interest rates used by the Company for the fair value measurement as of June 30, 2014 are as follows:

	<b>Interest rate</b>
Derivative instruments	2.30 ~ 2.73%
Borrowings and Debentures	3.10 ~ 3.28%

- 3) There have been no transfers from Level 2 to Level 1 for the six-month period ended June 30, 2014 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2014 are as follows:

(In millions of won)

	<b>Balance at Jan. 1</b>	<b>Valuation</b>	<b>Disposal</b>	<b>Balance at June 30</b>
Available-for-sale financial assets	94,318	(8,080)	(39,266)	46,972

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**28. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

		<b>June 30, 2014</b>				
		<b>Gross financial instruments recognized</b>	<b>Gross offset financial instruments recognized</b>	<b>Net financial instruments presented on the statements of financial position</b>	<b>Relevant amount not offset on the statements of financial position</b>	
					<b>Financial instruments</b>	<b>Cash collaterals received</b>
<b>Financial assets:</b>						
Derivatives(*)		16,241		16,241	(16,241)	
Accounts receivable	trade and others	147,473	(132,495)	14,978		14,978
		163,714	(132,495)	31,219	(16,241)	14,978
<b>Financial liabilities:</b>						
Derivatives(*)		56,956		56,956	(16,241)	40,715
Accounts payable	other and others	132,495	(132,495)			
		189,451	(132,495)	56,956	(16,241)	40,715

*(In millions of won)*

		<b>December 31, 2013</b>				
		<b>Gross financial instruments recognized</b>	<b>Gross offset financial instruments recognized</b>	<b>Net financial instruments presented on the statements of financial position</b>	<b>Relevant amount not offset on the statements of financial position</b>	
					<b>Financial instruments</b>	<b>Cash collaterals received</b>
<b>Financial assets:</b>						
Derivatives(*)		28,870		28,870	(28,870)	
Accounts receivable	trade and others	138,897	(127,055)	11,842		11,842
		167,767	(127,055)	40,712	(28,870)	11,842
<b>Financial liabilities:</b>						
Derivatives(*)		43,536		43,536	(28,870)	14,666
Accounts payable	other and others	127,055	(127,055)			
		170,591	(127,055)	43,536	(28,870)	14,666

(\*) The amount applicable by enforceable master netting agreement according to ISDA (International Swap and Derivatives Association).

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties**

(1) List of related parties

Relationship	Interest rate
Ultimate Controlling Entity	SK Holding Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 28 others(*)
Joint venture	Dogus Planet, Inc. and three others
Associates	SK hynix Inc. and 64 others
Affiliates	The Ultimate Controlling Entity's investor using the equity method and the Ultimate Controlling Entity's subsidiaries and associates, etc.

(\*) As of June 30, 2014, subsidiaries of the Company are as follows:

Type	Company	Ownership percentage (%)	Types of business
Subsidiaries	SK Telink Co., Ltd.	83.5	Telecommunication and MVNO service
	M&Service Co., Ltd.	100.0	Data base and internet website service
	SK Communications Co., Ltd.	64.6	Internet website services
	Stonebridge Cinema Fund	56.0	Investment association
	Commerce Planet Co., Ltd.	100.0	Online shopping mall operation agency
	SK Broadband Co., Ltd.	50.6	Telecommunication services
	K-net Culture and Contents Venture Fund	59.0	Investment association
	Fitech Focus Limited Partnership II	66.7	Investment association
	Open Innovation Fund	98.9	Investment association
	PS&Marketing Corporation	100.0	Communications device retail business
	Service Ace Co., Ltd.	100.0	Customer center management service
	Service Top Co., Ltd.	100.0	Customer center management service
	Network O&S Co., Ltd.	100.0	Base station maintenance service
	BNCP Co., Ltd.	100.0	Internet website services
	SK Planet Co., Ltd.	100.0	Telecommunication service
	Neosnetworks Co., Ltd.	66.7	Guarding of facilities
	SK Telecom China Holdings Co., Ltd.	100.0	Investment association
	Shenzhen E-eye High Tech Co., Ltd.	65.5	Manufacturing
	SK Global Healthcare Business Group., Ltd.	100.0	Investment association
	SK Planet Japan	100.0	Digital contents sourcing service
	SKT Vietnam PTE. Ltd.	73.3	Telecommunication service
	SK Planet Global PTE. Ltd.	100.0	Digital contents sourcing service
	SKP GLOBAL HOLDINGS PTE. LTD.	100.0	Investment association
	SKT Americas, Inc.	100.0	Information gathering and consulting
	SKP America LLC.	100.0	Digital contents sourcing service
	YTK Investment Ltd.	100.0	Investment association
	Atlas Investment	100.0	Investment association

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Technology Innovation Partners, L.P.	100.0	Investment association
SK Telecom China Fund I L.P.	100.0	Investment association

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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties, Continued**

## (2) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014		2013	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Salaries	287	1,626	340	1,594
Provision for retirement benefits	113	681	97	817
	400	2,307	437	2,411

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2014 and 2013 are as follows:

*(In millions of won)*

Scope	Company	2014							
		Operating revenue and others		Operating expense and others(*)		Acquisition of property and equipment		Cash Advances	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holding Co., Ltd.(*)	123	234	6,936	184,425				
Subsidiaries	SK Broadband Co., Ltd.	41,146	72,100	135,525	255,641	46	46		
	PS&Marketing Corporation	4,090	6,785	181,452	341,566	841	841		
	Network O&S Co., Ltd.	623	1,272	38,256	70,143				
	SK Planet Co., Ltd.	15,325	28,188	156,730	298,062	545	1,045		
	SK Telink Co., Ltd.	11,910	23,129	3,679	11,352	224	227		
	Service Ace Co., Ltd.	1,792	3,542	32,629	69,559				
	Service Top Co., Ltd.	1,661	3,303	35,509	75,200				
	Others	2,602	3,708	5,543	13,014	50	50		
		79,149	142,027	589,323	1,134,537	1,706	2,209		
Associates	F&UCredit information Co., Ltd.	415	893	9,354	21,018				
	HappyNarae Co., Ltd.			599	1,502	2,725	3,492		
	SK hynix Inc.	1,312	3,171		879				
	SK USA, Inc.			301	960				
	SK Wyverns Baseball Club Co., Ltd.	5	8		8,921				
	HanaSK Card Co., Ltd.	6,448	13,419	744	1,512				
	Others	1,223	1,299	2,294	3,378			45	45
		9,403	18,790	13,292	38,170	2,725	3,492	45	45
Other	SK Engineering & Construction Co., Ltd	670	1,296	11,474	11,474	55,586	55,586		
	SK C&C Co., Ltd.	1,167	1,853	56,382	112,694	13,736	37,092		
	SK Networks Co., Ltd.	5,171	9,994	51,334	195,274	2,452	2,454		
	SK Networks Service	5,293	5,293	9,400	14,279	435	435		
	SK Telesys Co., Ltd.	25	81	1,708	1,976	36,200	57,399		
	Others	3,133	5,379	1,860	6,711	3,490	3,847		
		15,459	23,896	132,158	342,408	111,899	156,813		

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104,134 184,947 741,709 1,699,540 116,330 162,514 45 45

(\*) Operating expense and others include 171,053 million of dividends paid by the Company.



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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and six-month periods ended June 30, 2014 and 2013 are as follows, continued.

*(In millions of won)*

Scope	Company	2013					
		Operating revenue and others		Operating expense and others(*)		Acquisition of property and equipment	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity	SK Holding Co., Ltd.(*)	307	502	6,480	184,419		
Subsidiaries	SK Broadband Co., Ltd.	33,209	47,497	128,210	238,711	434	457
	PS&Marketing Corporation	1,907	3,680	120,510	257,862	35	70
	Network O&S Co., Ltd.	983	1,498	39,367	65,077		
	SK Planet Co., Ltd.	6,093	15,367	133,467	267,809		
	SK Telink Co., Ltd.	10,377	18,278	5,279	17,592	23	23
	Service Ace Co., Ltd.	1,901	3,837	30,275	63,109		
	Service Top Co., Ltd.	1,600	3,318	30,155	52,662		
	Others	2,852	6,206	8,687	19,105		
		58,922	99,681	495,950	981,927	492	550
Associates	F&UCredit information Co., Ltd.	387	742	10,184	20,064		
	HappyNarae Co., Ltd.			338	1,258	1,572	1,806
	SK hynix Inc.	540	1,335	17	17		
	SK USA, Inc.				520		
	SK Wyverns Baseball Club Co., Ltd.			910	9,410		
	HanaSK Card Co., Ltd.	8,774	17,179	626	1,349		
	Others	98	1,534	4,416	8,410		
		9,799	20,790	16,491	41,028	1,572	1,806
Other	SK Engineering & Construction Co., Ltd	2,819	3,629	13,165	13,376	51,105	65,001
	SK C&C Co., Ltd.	775	1,498	59,563	123,949	22,454	43,230
	SK Networks Co., Ltd.	10,865	21,960	128,039	232,377	1,073	1,095
	SK Networks Service	2,495	5,677	4,555	9,330	15	15
	SK Telesys Co., Ltd.	35	87	2,765	3,488	7,244	19,877
	Others	3,273	6,128	6,388	7,180	513	513
		20,262	38,979	214,475	389,700	82,404	129,731
		89,290	159,952	733,396	1,597,074	84,468	132,087

(\*) Operating expense and others include 171,053 million of dividends paid by the Company.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

Scope	Company	June 30, 2014		
		Loans	Accounts payable	
		Accounts receivable	Accounts payable	
		Accounts receivable-trade, and others	Accounts payable trade, and others	
Ultimate Controlling Entity	SK Holding Co., Ltd.		98	
Subsidiaries	SK Broadband Co., Ltd.		17,931	
	PS&Marketing Corporation		81,717	
	Network O&S Co., Ltd.		143	
	SK Planet Co., Ltd.		31,805	
	SK Telink Co., Ltd.		6,796	
	Service Ace Co., Ltd.		14,724	
	Service Top Co., Ltd.		16,335	
	Others		16,923	
			34,312	186,374
Associates	HappyNarae Co., Ltd.		476	
	SK hynix Inc.		730	
	SK Wyverns Baseball Club., Ltd.	1,425		
	Wave City Development Co., Ltd.	1,200	38,412	
	SK USA Inc		626	
	Daehan Kanggun BcN Co., Ltd.	22,148		
	HanaSK Card Co., Ltd.		165	
	Others		676	
		24,773	41,570	1,943
Other	SK Engineering and Construction Co., Ltd.		61	2,485
	SK C&C Co., Ltd.		776	33,147
	SK Networks Co., Ltd.		4,566	1,114
	SK Networks Service			6,953
	SK Telesys Co., Ltd.		156	591
	SK Innovation Co., Ltd.		1,056	148
	Others		968	7,314
			7,583	51,752
		24,773	83,563	240,069



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Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**29. Transactions with Related Parties, Continued**

(4) Account balances as of June 30, 2014 and December 31, 2013 are as follows, continued

*(In millions of won)*

Scope	Company	December 31, 2013	
		Loans	Accounts payable
		Accounts receivable	Accounts payable
		receivable-trade, and others	trade, and others
Ultimate Controlling Entity	SK Holding Co., Ltd.	193	
Subsidiaries	SK Broadband Co., Ltd.	4,779	81,243
	PS&Marketing Corporation	464	32,573
	Network O&S Co., Ltd.	1,271	12,450
	SK Planet Co., Ltd.	10,882	116,927
	SK Telink Co., Ltd.	232	5,346
	Service Ace Co., Ltd.	269	18,019
	Service Top Co., Ltd.	1,258	15,375
	Others	3,975	21,713
			23,130
Associates	HappyNarae Co., Ltd.		2,238
	SK hynix Inc.		392
	SK Wyverns Baseball Club., Ltd.	1,425	
	Wave City Development Co., Ltd.	1,200	38,412
	SK USA Inc		436
	Daehan Kanggun BcN Co., Ltd.	22,102	
	HanaSK Card Co., Ltd.		284
Others		266	
		24,727	2,674
Other	SK Engineering and Construction Co., Ltd.		11,374
	SK C&C Co., Ltd.		64,071
	SK Networks Co., Ltd.		53,807
	SK Networks Service		2,290
	SK Telesys Co., Ltd.		6,438
	SK Innovation Co., Ltd.		1,368
	Others		8,189
		10,934	146,169
		24,727	452,489

- (5) As of June 30, 2014, there are no collateral or guarantee provided by related parties to the Company nor by the Company to related parties.
- (6) There was an additional investment on the related parties. (Refer to Note 8)

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**30. Sale and Leaseback**

For the year ended December 31, 2012, the Company disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease.

The Company recognized lease payment of 7,038 million and 6,851 million, respectively, relating to the above operating lease agreement and lease revenue of 4,516 million and 4,231 million, respectively, through a sublease agreement for the six-month periods ended June 30, 2014 and 2013. Future lease payments and lease revenue from the above operating lease agreement and sublease agreement are as follows:

<i>(In millions of won)</i>	<b>Lease payments</b>	<b>Lease revenue</b>
Less than 1 year	14,327	9,031
1~5 years	56,489	32,207
More than 5 years	47,130	22,469
	117,946	63,707

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**31. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Gain on foreign currency translations	(115)	(1,468)
Interest income	(12,827)	(16,471)
Dividends	(10,567)	(12,643)
Gain relating to financial assets at fair value through profit or loss		(3,365)
Gain on disposal of long-term investment securities	(5,851)	(1,292)
Gain on disposal of investments in subsidiaries and associates		(71,200)
Gain on disposal of property and equipment and intangible assets	(600)	(858)
Gain on valuation of derivatives	(6,017)	
Gain on settlement of derivatives	(118)	(2,274)
Other income		(2,315)
Loss on foreign currency translation	1,741	128
Bad debt for accounts receivable trade	16,034	16,365
Bad debt for accounts receivable other	8,123	16,326
Loss on disposal of long-term investments securities	6	73
Loss relating to financial assets at fair value through profit or loss	1,352	
Depreciation and amortization	1,083,590	1,035,469
Loss on disposal of property and equipment and intangible assets	2,709	11,457
Interest expenses	132,372	143,098
Loss relating to financial liabilities at fair value through profit or loss	7,798	104,601
Loss on settlement of derivatives	335	
Provision for retirement benefits	16,804	17,541
Income tax expense	123,472	161,471
Other expenses	3,149	1,529
	1,361,390	1,396,172



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the six-month periods ended June 30, 2014 and 2013

**31. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Accounts receivable trade	(100,450)	(89,841)
Accounts receivable other	40,419	(60,610)
Advance payments	(22,336)	(25,960)
Prepaid expenses	4,888	4,277
Inventories	2,426	5,604
Long-term prepaid expenses	(4,905)	404
Guarantee deposits	3,202	9,921
Accounts payable other	(485,253)	(173,635)
Advanced receipts	7,281	2,650
Withholdings	184,824	(95,661)
Deposits	(462)	(272)
Accrued expenses	(53,559)	4,483
Unearned revenue	(56,706)	(83,427)
Provisions	4,710	(143,489)
Long-term provisions	32,880	(53,775)
Plan assets	(884)	74
Retirement benefit payment	(10,710)	(13,554)
Others	1,933	2,339
	(452,702)	(710,472)

- (3) Significant non-cash transactions for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the six-month period ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Transfer of other property and equipment and others to construction in progress	363,931	483,671
Transfer of construction in progress to property and equipment and intangible assets	795,529	924,076
Accounts payable other related to acquisition of property and equipment and intangible assets	278,349	307,978

**32. Subsequent Events**

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On July 24, 2014, the Board of Directors of the Company resolved to pay interim cash dividends of 1,000 per share totaling 70,936 million (Market dividend rate: 0.42%). The ex-dividend date was June 30, 2014 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.

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**SIGNATURES**

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

**SK TELECOM Co., LTD.**

*(Registrant)*

By: /s/ Soo Cheol Hwang

*(Signature)*

Name: Soo Cheol Hwang

Title: Senior Vice President

Date: September 12, 2014