

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF APRIL 2015
COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

Euljiro65(Euljiro2-ga), Jung-gu

Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

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

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ANNUAL BUSINESS REPORT

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

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

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

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

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

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

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

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

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

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

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

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

Changes in subsidiaries are set forth below.

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

Shopkick Management Company,
Inc.

Shopkick, Inc.

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

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless business

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

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

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

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

Table of Contents**(2) Fixed-line business**

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

(3) Other businesses

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

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

See II-1. Business Overview for more information.

Table of Contents**E. Credit Ratings**

(1) Corporate bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
June 21, 2012	Corporate bond	AAA	Korea Ratings	Regular rating
June 22, 2012	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 29, 2012	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
August 10, 2012	Corporate bond	AAA	Korea Ratings	Current rating
August 14, 2012	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
August 14, 2012	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Current rating
April 11, 2013	Corporate bond	AAA	Korea Ratings	Current rating
April 11, 2013	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 11, 2013	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Current rating
April 11, 2013	Corporate bond	AAA	Korea Ratings	Regular rating
April 11, 2013	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 11, 2013	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Ratings	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
April 22, 2014	Corporate bond	AAA	Korea Ratings	Current rating
April 22, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
April 22, 2014	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
October 15, 2014	Corporate bond	AAA	Korea Ratings	Current rating
October 15, 2014	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 15, 2014	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating
February 9, 2015	Corporate bond	AAA	Korea Ratings	Current rating
February 9, 2015	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 9, 2015	Corporate bond	AAA	NICE Investors Service, Co., Ltd.	Current rating

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

(2) Commercial paper (CP)

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

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

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

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

(3) International credit ratings

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

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

2. Company History

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

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

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

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

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

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

A. Location of Headquarters

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

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

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

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

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

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

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

C. Change in Company Name

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

**D. Mergers, Acquisitions and Restructuring
[SK Telecom]**

(1) Spin-off

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Disposition of shares of iHQ Inc.

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

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

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

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(7) Acquisition of shares of Iriver Ltd.

In order to foster application development and smartphone accessories as part of the Company's growth engines, the Company purchased 10,241,722 shares (a 39.3% equity interest) of Iriver Ltd. (Iriver) from Vogo-Rio Investment Holdings Co., Ltd. and KGF-Rio Limited on August 13, 2014. As of December 31, 2014, the Company holds a 48.9% equity interest of Iriver by acquiring additional shares in its rights offering. The Company does not hold a majority of the voting rights of Iriver but the Company concluded that it has effective control as it holds significantly more voting rights than any other shareholder or any organized group of shareholders.

(8) Acquisition of shares of Shopkick, Inc.

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

[SK Broadband]

(1) Merger

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

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

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

[SK Planet]

(1) Merger

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

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

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[SK Telink]

(1) Merger

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

[SK Communications]

(1) Disposition and acquisition of businesses

1. Disposition of the Cyworld service

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

(2) Disposition of shares

1. Disposition of shares of Service-In

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

[PS&Marketing]

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

[M&Service]

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

E. Other Important Matters related to Management Activities

[SK Telecom]

(1) Issuance of bonds

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

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

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

(2) Issuance of hybrid securities

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

(3) Conversion of convertible notes

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

[SK Broadband]

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

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

(As of December 31, 2014)

(Unit: in shares)

Classification	Share type	Remarks
Table of Contents		

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

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of December 31, 2014)

(Unit: in shares)

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

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

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

(As of December 31, 2014)

(Unit: in shares)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**II. BUSINESS**

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

1. Business Overview

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

Classification	Company name	Description of business
Wireless	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	SK Broadband Co., Ltd.	High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents
Fixed-line		Various media-related services, such as channel management, including video on demand, and mobile IPTV services
	SK Telink Co., Ltd.	International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator (MVNO) services
	SK Planet Co., Ltd.	Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others
Other business	SK Communications Co., Ltd.	Integrated portal services through NATE and instant messaging services through NATE-ON
	M&Service Co., Ltd.	System software development, distribution and technical support services and other online information services
	SK Planet America LLC Shopkick Management Company, Inc.	Digital contents provider and sourcing services Investment business

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

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

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

Table of Contents**B. Growth Potential**

(Unit: in 1,000 persons)

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

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

C. Domestic and Overseas Market Conditions

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

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

(Unit: in percentages)

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

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

D. Business Overview and Competitive Strengths

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

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

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

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

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

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

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

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

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

B. Growth Potential

(Unit: in 1,000 persons)

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

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

C. Cyclical Nature and Seasonality

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

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

(Unit: in percentages)

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

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

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

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

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

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

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

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

A platform business acts as an intermediary by promoting interactions among various customer groups, thereby generating new values. It is important for a platform business to continually attract subscribers and users and to create an ecosystem with certain

lock-in effects. A platform can exist in various forms, including as a technological standard (iOS, Android OS), a subscriber-based service platform (Facebook, Twitter) or a marketplace (Amazon, T Store). Platform businesses are evolving and expanding globally.

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

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B. Growth Potential

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

C. Domestic and Overseas Market Conditions

(1) Commerce markets

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

(2) Digital contents

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

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

D. Business Overview and Competitive Strengths

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

(1) Commerce

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

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

OK Cashbag is a point-based loyalty marketing program which has grown to become a global top-tier loyalty marketing program since its inception in 1999. Customers have access to increased benefits through accumulation of loyalty reward points and partner companies use OK Cashbag as a marketing resource. With 38 million subscribers, OK Cashbag maintains a leading position in the industry and plans to continue strengthening its position by providing customized services befitting customers' needs and market conditions.

(2) Location-based services

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

(3) Digital contents

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

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

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

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

Satellite DMB service

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

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

(Unit: in millions of Won and percentages)

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

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

[Fixed-line Business]

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

[Other Business]

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

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

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

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

(Unit: in 100 millions of Won)

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

B. Future Investment Plan

(Unit: in 100 millions of Won)

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

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

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

(Unit: in 100 millions of Won)

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

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

4. Revenues

(Unit: in millions of Won)

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

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

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(Unit: in millions of Won)

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

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

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

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

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

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

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

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

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

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

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

(Unit: in 100 millions of Won)

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

[SK Broadband]

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

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

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

[SK Communications]

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

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

7. R&D Investments

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

(Unit: in millions of Won except percentages)

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

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

8. Other information relating to investment decisions

A. Trademark Policies

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

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B. Business-related Intellectual Property

[SK Telecom]

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

[SK Broadband]

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

[SK Planet]

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

[SK Communications]

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

C. Business-related Pollutants and Environmental Protection

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Allowance for Doubtful Accounts

(1) Allowance for Doubtful Accounts of Trade and Other Receivables

(Unit: in millions of Won)

For the year ended December 31, 2014

Allowance for Doubtful

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

(Unit: in millions of Won)

For the year ended December 31, 2013

Allowance for Doubtful

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

(Unit: in millions of Won)

For the year ended December 31, 2012

Allowance for Doubtful

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

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

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

(Unit: in millions of Won)

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

Table of Contents**(3) Policies for Allowance for Doubtful Accounts**

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

(4) Aging of Accounts Receivable

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

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

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

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

(2) Reporting of Inventories

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

D. Fair Value Measurement

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

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

as of December 31, 2014)

(Unit: in millions of Won and percentages)

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

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

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As of December 31, 2014)

(Unit: in millions of Won and percentages)

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

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

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(Unit: in millions of Won and percentages)

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

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

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

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

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

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

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

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

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(Unit: in millions of Won and percentages)

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

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

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

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

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

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

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(As of December 31, 2014)

(Unit: in millions of Won and percentages)

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

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[SK Telink]

(As of December 31, 2014)

(Unit: in millions of Won and percentages)

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

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

[PS&Marketing]

(As of December 31, 2014)

(Unit: in millions of Won and percentages)

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

Table of Contents**[Iriver]**

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

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

* Convertible bonds issued to SK Telecom

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

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

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

[SK Broadband]

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

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

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

[SK Telink, PS&Marketing]

None.

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

(As of December 31, 2014)

(Unit: in millions of Won)

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

[SK Telecom, SK Broadband, PS&Marketing]

None.

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

(As of December 31, 2014)

(Unit: in millions of Won)

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

[SK Broadband]

(As of December 31, 2014)

(Unit: in millions of Won)

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

[SK Telink]

(As of December 31, 2014)

(Unit: in millions of Won)

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

[PS&Marketing]

(As of December 31, 2014)

(Unit: in millions of Won)

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

[Iriver]

(As of December 31, 2014)

(Unit: in millions of Won)

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

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

(As of December 31, 2014)

(Unit: in millions of Won)

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

(6) Outstanding Balance of Contingent Convertible Bonds

(As of December 31, 2014)

(Unit: in millions of Won)

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

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

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

2. Audit Opinion (Consolidated)

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

3. Auditor (Separate)

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

4. Audit Opinion (Separate)

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

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

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

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

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

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

(Unit: in millions of Won)

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

6. Change of Independent Auditors

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

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

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

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

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

2. Overview

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

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

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

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

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

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

(Unit: in billions of Won, except percentages)

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

- (1) Cash & marketable securities includes cash & cash equivalents, marketable securities and short-term financial instruments.
- (2) Interest-bearing financial debt: Total of short-term borrowings, current portion of long-term debt and debentures and long-term borrowings
- (3) Debt-to-equity ratio: Interest-bearing financial debt / Total Equity

A. Assets

As of December 31, 2014, SK Telecom's assets comprised 81% of the Company's assets, on a consolidated basis.

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

B. Liabilities

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

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

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

(Unit: in billions of Won, except percentages)

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

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

A. Operating Revenue

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

B. Operating Profit

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

C. Operating Expense

(Unit: in billions of Won, except percentages)

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

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

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

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

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

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

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

B. Average Monthly Revenue per Subscriber

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

* The billing average monthly revenue per subscriber (ARPU) is derived by dividing the sum of total SK Telecom and SK Planet revenues from voice service and data service (but excluding revenue from MVNO subscribers) for the period by the monthly average number of subscribers that are not MVNO subscribers for the period, then dividing that number by the number of months in the period. Although the definition of ARPU may vary by company, it is a measure that is widely used in the telecommunications industry for revenue comparison purposes. In 2014, the increase in LTE subscribers led to an increase in average revenue per subscriber to 36,100, a 4.5% increase compared to the previous year.

6. Guidance for Fiscal Year 2015

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

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

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7. Liquidity

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

8. Financing

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

9. Investments

The Company did not make any significant investments in 2014.

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

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

(As of March 20, 2015)

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

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

B. Significant Activities of the Board of Directors

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

Rights offering by PS&Marketing Co., Ltd.

Approved as proposed

Convocation of the 30th General Meeting of Shareholders

Evaluation results of internal accounting management system

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

2014)

Payment of interim dividends

Approved as proposed

366th

(the 6th
meeting of
2014)

July 24, 2014

Financial results for the first six months of 2014

Report for the period after the second quarter of 2014

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

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

Approved as proposed

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

Approved as proposed

Base station maintenance contract for 2015

Approved as proposed

Contract renewal for use of the SK brand

Approved as proposed

Financial transactions with affiliated company (SK Securities)

Approved as proposed

Transactions of corporate bonds with affiliated company (SK Securities)

Approved as proposed

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

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

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

* The terms of Rak Young Uhm and Jae Ho Cho ended on March 21, 2014.

C. Committees within Board of Directors

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

(a) Compensation Review Committee

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

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

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(b) Capex Review Committee

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

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

(c) Corporate Citizenship Committee

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

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

(d) Independent Director Nomination Committee

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

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

(e) Audit Committee

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

etc.

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

2. Audit System

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

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

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

IT service management contract for 2014

Approved as proposed

Service contract with SK Wyverns for 2014

Approved as proposed

Service contract with SKTCH

Approved as proposed

Construction of fixed-line and wireless networks in 2014

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

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Report on the IFRS audit of fiscal year 2014

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

Approved as proposed

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

Approved as proposed

Engagement of Independent Auditing Firm for 2015 to 2017

Report on the IFRS audit of fiscal year 2014

Report on review of 2014 internal accounting management system

Approved as proposed

Evaluation of internal accounting management system operation

The 2nd meeting of 2014

February 23, 2015

Approved as proposed

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

Approved as proposed

Auditor's report for fiscal year 2014

Approved as proposed

Construction of fixed-line and wireless networks in 2015

Approved as proposed

Contract for payment of customer appreciation gifts in 2015

The 3rd meeting of 2014

March 19, 2015

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

Approved as proposed

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

Approved as proposed

Approved as proposed

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

3. Shareholders Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

Articles of Incorporation	Description
Article 32(3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12 th Supplement to the Articles of Incorporation (Interim Regulation)	Article 32(3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.
Also, neither written or electronic voting system nor minority shareholder rights is applicable.	

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

(As of December 31, 2014)

(Unit: in shares and percentages)

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

B. Overview of the Largest Shareholder

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

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

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

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

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

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

2. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of December 31, 2014)

(Unit: in shares and percentages)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
SK Holdings				Man Won Jung, SK Telecom's CEO, resigned
	March 11, 2011	18,750,490	23.22	Shin Bae Kim, SK C&C's CEO, resigned
	April. 5, 2011	18,749,990	23.22	Dal Sup Shim, an Independent Director, disposed 500 shares
	July 8, 2011	18,750,490	23.22	Shin Won Chey, SKC's Chairman, purchased 500 shares
	August 5, 2011	18,750,990	23.22	Shin Won Chey, SKC's Chairman, purchased 500 shares
	August 23, 2011	18,751,490	23.22	Shin Won Chey, SKC's Chairman, purchased 500 shares
	December 21, 2011	20,366,490	25.22	SK Holdings purchased 1,615,000 shares
	January 31, 2012	20,366,290	25.22	Retirement of Bang Hyung Lee, a former officer of an affiliated company
	January 2, 2014	20,367,290	25.22	Shin Won Chey, SKC's Chairman, purchased 1,000 shares
	March 24, 2014	20,368,290	25.23	Shin Won Chey, SKC's Chairman, purchased 1,000 shares

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

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

(As of June 30, 2014)

(Unit: in shares and percentages)

Rank	Name (title)	Number of shares	Common share ownership ratio	Remarks
-------------	---------------------	-------------------------	-------------------------------------	----------------

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

B. Shareholder Distribution

(As of December 31, 2014)

(Unit: in shares and percentages)

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

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

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

(Unit: in Won and shares)

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

B. Foreign Securities Market

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

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

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

(As of December 31, 2014)

(Unit: in persons and millions of Won)

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

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

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

(As of December 31, 2014)

(Unit: in millions of Won)

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

B. Amount Paid

(As of December 31, 2014)

(Unit: in millions of Won)

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

3. Individual Compensation of Directors

(As of December 31, 2014)

(Unit: in millions of Won)

Name	Title
------	-------

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

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

(As of December 31, 2014)

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

Table of Contents**Invested companies**

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

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

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

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

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

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

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

* Change in company names:

Ulsan Aromatics changed its name from Arochemi

Happynarae changed its name from MRO Korea

Bizen changed its name from Telsk

SK Hystec changed its name from Hystec

SK HY ENG changed its name from Hynix Engineering

Entis changed its name from SK Sci-tech

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

(Unit: in millions of Won)

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

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

(Unit: in millions of Won)

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

B. Acquisition and Sale of Securities

(Unit: in millions of Won)

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

C. Transfer of Assets

(Unit: in millions of Won)

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

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

D. Transfer of Business

None.

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

(Unit: in millions of Won)

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

4. Related Party Transactions

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

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

(Unit: in millions of Won)

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

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

None.

B. Summary Minutes of the General Meeting of Shareholders

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

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

Approved (Dae Shick Oh)

Election of an independent director

Approved (12 billion)

4. Election of an independent director as
Audit Committee member

5. Approval of remuneration limit for
directors

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

Approved (Cash dividend, 8,400 per share)

2. Amendments to Articles of Incorporation

Approved

3. Election of directors

Approved (Sung Min Ha)

Election of an inside director

Approved (Jay Young Chung)

30th Fiscal Year

Meeting of

Election of an independent director

Approved (Jae Hoon Lee)

Shareholders

Election of an independent director

Approved (Jae Hyeon Ahn)

(March 21, 2014)

Election of an independent director

Approved (Jae Hyeon Ahn)

4. Election of an independent director as
Audit Committee member

Approved (12 billion)

5. Approval of remuneration limit for
directors

31st Fiscal Year

Approved (Cash dividend, 8,400 per share)

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

Table of Contents**2. Contingent Liabilities**

[SK Telecom]

A. Material Legal Proceedings

(1) Claim for copyright license fees regarding Coloring services

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

B. Other Matters

None.

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the plaintiff

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

(2) SK Broadband as the defendant

(Unit: in thousands of Won)

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

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

B. Other Contingent Liabilities

(1) Pledged assets and covenants

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

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

[SK Planet]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

None.

[SK Communications]

A. Material Legal Proceedings

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

B. Other Contingent Liabilities

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

(Unit: in thousands of Won)

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

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[PS&Marketing]

A. Other Contingent Liabilities

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

3. Status of sanctions, etc.

[SK Telecom]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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[SK Broadband]

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

Date: July 11, 2014

Subject: SK Broadband

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

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

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

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

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

Date: June 16, 2014

Subject: SK Broadband

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

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

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

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

(3) Violation of the Telecommunication Business Act

Date: August 21, 2013

Subject Company: SK Broadband

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

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

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

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

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(4) Violation of the Telecommunication Business Act

Date: June 5, 2013

Subject Company: SK Broadband

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

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

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

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

(5) Violation of accounting rules

Date: December 13, 2012

Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

Company's plan: Will improve accounting management system.

(6) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

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

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

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

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

(7) Violation of accounting rules

Date: January 20, 2012

Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

(8) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

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

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

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

Company's Plan: Will improve operating procedures.

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

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

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

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

Status of Implementation: Paid the fine.

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

(10) Violation of the Telecommunication Business Act

Date: February 21, 2011

Subject Company: SK Broadband

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

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

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

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

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

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

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

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

Date of the Share Exchange agreement: March 23, 2015

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

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

Date of Share Exchange: June 9, 2015

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

5. Use of Proceeds

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

(As of December 31, 2014)

(Unit: in millions of Won)

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

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

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SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Yong Hwan Lee
(Signature)

Name: Yong Hwan Lee
Title: Senior Vice President

Date: April 20, 2015

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Exhibit 99.1

SK TELECOM CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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Other Matter

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea

February 23, 2015

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

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position, Continued

As of December 31, 2014 and 2013

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

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2014 and 2013

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

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

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

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

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

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2014 and 2013

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

See accompanying notes to the consolidated financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

(1) General

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

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

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

(2) List of subsidiaries

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

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

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

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

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

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

(In millions of won)

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

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

- (*1) The condensed financial information of Iconcube Holdings, Inc. includes financial information of Icon-Cube Co., Ltd., a subsidiary of Iconcube Holdings, Inc.
- (*2) The condensed financial information of IRIVER LIMITED includes financial information of iriver CS Co. Ltd., iriver Enterprise Ltd., iriver America Inc., iriver Inc., iriver China Co., Ltd., and Dongguan iriver Electronics Co., Ltd., subsidiaries of IRIVER LIMITED.
- (*3) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries, Continued

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

(In millions of won)

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

(4) Changes in subsidiaries

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity, Continued

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation

(1) Statement of compliance

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

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

(2) Basis of measurement

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

derivative financial instruments are measured at fair value

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

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

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

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

1) Critical judgments

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

revenue : Note 4.(22))

consolidation : Note 4.(2))

classification of lease : Note 4.(14))

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation, Continued

(4) Use of estimates and judgments, Continued

2) Assumptions and estimation uncertainties

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

3) Fair value measurement

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

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

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

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

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

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

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

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

(5) Common control transactions

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

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3. Changes in Accounting Policies

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

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

(1) Offsetting Financial Assets and Financial Liabilities

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

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

4. Significant Accounting Policies

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

(1) Operating segments

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

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4. Significant Accounting Policies, Continued

(2) Basis of consolidation

(i) Business combination

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

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

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

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

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

(ii) Non-controlling interests

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

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

(iii) Subsidiaries

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

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4. Significant Accounting Policies, Continued

(2) Basis of consolidation, Continued

(iv) Loss of control

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

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

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

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

(vi) Intra-group transactions

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

(vii) Business combinations under common control

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

(3) Cash and cash equivalents

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

(4) Inventories

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

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4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

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

(v) De-recognition of financial assets

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

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4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(vi) Offsetting between financial assets and financial liabilities

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

(6) Derivative financial instruments, including hedge accounting

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

(i) Hedge accounting

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

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

Fair value hedge

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

Cash flow hedge

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

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4. Significant Accounting Policies, Continued

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

(ii) Separable embedded derivatives

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

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

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

(iii) Other derivative financial instruments

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

(7) Impairment of financial assets

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

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

significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale financial assets

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

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

(8) Property, plant and equipment

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

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4. Significant Accounting Policies, Continued

(8) Property, plant and equipment, Continued

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

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

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

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

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

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

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

(9) Borrowing costs

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

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

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

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

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

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

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

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

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

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

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

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4. Significant Accounting Policies, Continued

(11) Government grants

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

(i) Grants related to assets

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

(ii) Grants related to income

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

(12) Investment property

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

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

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

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

(13) Impairment of non-financial assets

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

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4. Significant Accounting Policies, Continued

(13) Impairment of non-financial assets, Continued

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

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

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

(14) Leases

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

(i) Finance leases

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

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

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

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4. Significant Accounting Policies, Continued

(14) Leases, Continued

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

(15) Non-current assets held for sale

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

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

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4. Significant Accounting Policies, Continued

(16) Non-derivative financial liabilities

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

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

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

(ii) Other financial liabilities

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

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

(17) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

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4. Significant Accounting Policies, Continued

(17) Employee benefits, Continued

(iii) Retirement benefits: defined contribution plans

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

(iv) Retirement benefits: defined benefit plans

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

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

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

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

(v) Termination benefits

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

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For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(18) Provisions

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

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

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

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

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

(19) Foreign currencies

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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4. Significant Accounting Policies, Continued

(19) Foreign currencies, Continued

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

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

(20) Equity capital

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

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

(21) Hybrid bond

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

(22) Revenue

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

(i) Services

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

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

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

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4. Significant Accounting Policies, Continued

(22) Revenue, Continued

(ii) Goods sold

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

(iii) Customer loyalty programmes

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

(iv) Bundled arrangements

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

(23) Finance income and finance costs

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

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

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4. Significant Accounting Policies, Continued

(24) Income taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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4. Significant Accounting Policies, Continued

(25) Earnings per share

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

(26) Discontinued operations

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

(27) New standards and interpretations not yet adopted

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

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

1) K-IFRS 1019 Employee Benefits Employee contributions

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

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5. Operating Segments

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

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

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

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For the years ended December 31, 2014 and 2013

5. Operating Segments, Continued

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

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

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

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6. Restricted Deposits

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

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

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

7. Trade and Other Receivables

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

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

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Non-current assets:

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

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For the years ended December 31, 2014 and 2013

7. Trade and Other Receivables, Continued

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

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

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

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

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

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

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

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7. Trade and Other Receivables, Continued

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

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

8. Inventories

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

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

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

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9. Investment Securities

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

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

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

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

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

Long-term investment securities	956,280	968,527
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(*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.

(*2) Equity investments are recorded at cost.

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

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

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

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

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

(2) Investments in associates

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

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

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

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

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11. Acquisition of Subsidiary

(1) General information

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

1) Neosnetworks Co., Ltd.

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

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

2) IRIVER LIMITED

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

3) shopkick, Inc.

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

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11. Acquisition of Subsidiary, Continued

(2) Consideration paid and identifiable assets and liabilities transferred

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

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

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

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

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12. Business Combinations**(1) General information**

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

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

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

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

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

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures

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

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

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

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures, Continued

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

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

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures, Continued

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

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

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

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

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

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13. Investments in Associates and Joint Ventures, Continued

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

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

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

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

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

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For the years ended December 31, 2014 and 2013

13. Investments in Associates and Joint Ventures, Continued

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

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

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13. Investments in Associates and Joint Ventures, Continued

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

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

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

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

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13. Investments in Associates and Joint Ventures, Continued

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

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

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

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13. Investments in Associates and Joint Ventures, Continued

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

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

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

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

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

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

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13. Investments in Associates and Joint Ventures, Continued

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

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

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

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

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For the years ended December 31, 2014 and 2013

14. Property and Equipment

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

14. Property and Equipment, Continued

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

15. Investment Property

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

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

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

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

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

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

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

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

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

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

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15. Investment Property, Continued

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

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

16. Goodwill

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

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

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

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

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

Other: other

(*1) Shinsegi Telecom, Inc.

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

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

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

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16. Goodwill, Continued

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

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

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

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

17. Intangible Assets

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

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

	6,726,128	(4,197,416)	(44,718)	2,483,994
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<i>(In millions of won)</i>	2013			Carrying amount
	Acquisition cost	Accumulated depreciation	Accumulated impairment	
Frequency use rights	3,033,879	(1,369,308)		1,664,571
Land use rights	48,031	(31,441)		16,590
Industrial rights	91,027	(32,264)		58,763
Development costs	148,714	(126,912)	(11,675)	10,127
Facility usage rights	143,937	(85,109)		58,828
Customer relations	14,222	(7,889)		6,333
Memberships(*1)	128,452			128,452
Other(*2)	2,747,121	(1,938,936)	(1,067)	807,118
	6,355,383	(3,591,859)	(12,742)	2,750,782

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17. Intangible Assets, Continued

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

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

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

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

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

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

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17. Intangible Assets, Continued

- (2) Details of changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows, Continued:

<i>(In millions of won)</i>	2013							Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Change of consolidation scope	
Frequency use rights(*)	1,693,868	1,046,833	(814,213)		(261,917)			1,664,571
Land use rights	16,062	7,378	(279)		(6,571)			16,590
Industrial rights	60,104	2,045	(75)	485	(3,674)		(122)	58,763
Development costs	13,420	594		650	(5,230)	(1,448)	2,141	10,127
Facility usage rights	65,340	1,930	(75)	9	(8,376)			58,828
Customer relations	48,886	1,293		1,856	(45,702)			6,333
Memberships	118,954	2,828	(997)				7,667	128,452
Other	673,024	111,972	(21,751)	325,529	(291,870)	(1,695)	11,909	807,118
	2,689,658	1,174,873	(837,390)	328,529	(623,340)	(3,143)	21,595	2,750,782

- (*) The Group newly acquired 1.8GHz frequency use rights through auction during the year ended December 31, 2013 and returned the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Group recognized 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

- (3) Research and development expenditures recognized as expense for the years ended December 31, 2014 and 2013 are as follows:

2014**2013**

Research and development costs expensed as incurred	390,943	352,385
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- (4) The carrying amount and residual useful lives of frequency usage rights as of the year ended December 31, 2014 are as followed, all of which are depreciated on a straight-line basis:

<i>(In millions of won)</i>	Amount	Description	Commencement of amortization	Completion of amortization
W-CDMA license	198,542	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	32,622	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	263,536	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	879,340	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	10,004	WiBro service	Mar. 2012	Mar. 2019
	1,384,044			

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18. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	Lender	Annual interest rate (%)	December 31, 2014	December 31, 2013
CP	Samsung Securities Co., Ltd., etc.	2.16~3.09	206,000	200,000
Short-term borrowings	Korea Development Bank	2.48~4.28	160,600	60,000
			366,600	260,000

(2) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

Billions of won, thousands of U.S. dollars and thousands of Chinese

	Annual interest rate (%)	Maturity	December 31, 2014	December 31, 2013
Korea Development Bank	3.19	Jun. 16, 2014		1,712
Industrial Bank of Japan	2.77	Jun. 15, 2015	1,712	5,000
Industrial Bank of Japan	2.77	Jun. 15, 2016	4,874	8,000
Industrial Bank of Japan	2.77	Mar. 15, 2017	4,496	5,000
Industrial Bank of Japan	2.77	Mar. 15, 2018	8,600	8,000
Industrial Bank(*1)	6M bank debenture rate+1.58	Apr. 30, 2016	10,000	
SK Finance Corporation	3.32	Jul. 30, 2019	39,000	
SK Finance Corporation	2.94	Jul. 30, 2019	10,000	
SK Creditnamnden(*2)	1.7	Apr. 29, 2022	94,903	99,000
			(USD 86,338)	(USD 94,000)
Total			173,585	129,000
present value discount on long-term borrowings			(2,623)	(3,000)
			170,962	126,000

current portion of long-term borrowings	(21,242)	(21,
long-term borrowings	149,720	104,

(*1) As of December 31, 2014, the 6M bank debenture rate of Shinhan Bank is 2.17%.

(*2) For the years ended December 31, 2014 and 2013, the Group obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installments on an annual basis from 2014 to 2022.

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows:

(In millions of won, thousands of U.S. dollars and thousands of other currencies)

	Purpose	Maturity	Annual interest rate (%)	December 31, 2014	December 31, 2013
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2014	5.00		200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and refinancing fund	2019	3.24	170,000	170,000
Unsecured private bonds		2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	
Unsecured private bonds		2024	3.64	150,000	
Unsecured private bonds(*6)		2029	4.73	55,188	
Unsecured private bonds(*6)		2029	4.72	55,177	
Unsecured private bonds	Refinancing fund	2019	2.53	160,000	
Unsecured private bonds		2021	2.66	150,000	
Unsecured private bonds		2024	2.82	190,000	
Unsecured private bonds(*1)	Operating fund	2014	4.86		20,000
Unsecured private bonds(*1)		2015	4.62	10,000	10,000
Unsecured private bonds(*2)		2014	4.53		290,000
Unsecured private bonds(*2)		2014	4.40		100,000
Unsecured private bonds(*2)		2015	4.09	110,000	110,000
Unsecured private bonds(*2)		2015	4.14	110,000	110,000
Unsecured private bonds(*2)		2017	4.28	100,000	100,000
Unsecured private bonds(*2)		2015	3.14	130,000	130,000
Unsecured private bonds(*2)		2017	3.27	120,000	120,000

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Unsecured private bonds(*2)		2016	3.05	80,000	
Unsecured private bonds(*2)		2019	3.49	210,000	
Unsecured private bonds(*2)		2019	2.76	130,000	
Unsecured private bonds(*3)		2015	3.12	10,000	
Unsecured private bonds(*3)		2016	3.24	10,000	
Unsecured private bonds(*3)		2017	3.48	20,000	
Foreign global bonds		2027	6.63	439,680	422,120
				(USD 400,000)	(USD 400,000)
Exchangeable bonds(*5)	Refinancing fund	2014	1.75		96,147
					(USD 91,109)
Floating rate notes	Operating fund	2014	3M Libor + 1.60		263,825
					(USD 250,000)
Floating rate notes		2014	SOR rate + 1.20		54,129
					(SGD 65,000)
Swiss unsecured private bonds		2017	1.75	333,429	356,601
				(CHF 300,000)	(CHF 300,000)
Foreign global bonds		2018	2.13	769,440	738,710
				(USD 700,000)	(USD 700,000)
Australia unsecured private bonds		2017	4.75	269,727	281,988
				(AUD 300,000)	(AUD 300,000)

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued :

(In millions of won, thousands of U.S. dollars and

<i>thousands of other currencies)</i>	Purpose	Maturity	Annual interest rate (%)	December 30, 2014	December 31, 2013
Floating rate notes(*4)	Operating fund	2020	3M Libor + 0.88	329,760 (USD 300,000)	316,590 (USD 300,000)
Foreign global bonds(*2)		2018	2.88	329,760 (USD 300,000)	316,590 (USD 300,000)
Sub-total				6,252,161	5,966,700
Less discounts on bonds				(33,531)	(40,228)
				6,218,630	5,926,472
Less current portion of bonds				(569,472)	(1,020,893)
				5,649,158	4,905,579

(*1) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.

(*2) Unsecured private bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.

(*3) Unsecured private bonds were issued by PS&Marketing Corporation, a subsidiary of the Parent Company.

(*4) As of December 31, 2014, 3M Libor rate is 0.23%.

(*5) On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Group may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Group's

voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Group will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and redeemed by cash during the year ended December 31, 2014.

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18. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued :

(*6) The Group settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 10,365 million as of December 31, 2014.

19. Long-term Payables Other

(1) Long-term payables other as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Payables related to acquisition of W-CDMA licenses	657,001	828,721
Other(*)	27,566	9,864
	684,567	838,585

(*) Other includes vested compensation claims of employees who have rendered long-term service, etc.

(2) As of December 31, 2014 and 2013, long-term payables other consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 2.3GHz and 1.8GHz frequencies as follows:

<i>(In millions of won)</i>	Period of repayment	Coupon rate(*1)	Annual effective interest rate(*2)	December 31, 2014	December 31, 2013
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2.1GHz	2012~2014	3.58%	5.89%		17,533
800MHz	2013~2015	3.51%	5.69%	69,416	138,833
2.3GHz	2014~2016	3.00%	5.80%	5,766	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	824,841	942,675
				900,023	1,107,691
Present value discount on long-term payables other				(53,633)	(72,170)
				846,390	1,035,521
Current portion of long-term payables other				(189,389)	(206,800)
Carrying amount at December 31				657,001	828,721

(*1) The Group applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

(*2) The Group estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term account payables-other.

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19. Long-term Payables Other, continued

- (3) The repayment schedule of long-term payables other related to acquisition of W-CDMA licenses as of December 31, 2014 is as follows:

<i>(In millions of won)</i>	Amount
Less than 1 year	190,134
1~3 years	238,552
3~5 years	235,669
More than 5 years	235,668
	900,023

20. Provisions

- (1) Changes in provisions for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	For the year ended December 31, 2014					As of December 31, 2014		
	Beginning balance	Increase	Utilization	Reversal	Other	Ending balance	Current	Non-current
Provision for handset subsidy(*1)	53,923	41,802	(68,926)			26,799	14,844	11,955
Provision for restoration (*2)	40,507	20,098	(702)	(34)	(142)	59,727	35,865	23,862
Other provisions	451	155	(225)		181	562	366	196
	94,881	62,055	(69,853)	(34)	39	87,088	51,075	36,013

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For the years ended December 31, 2014 and 2013

20. Provisions, Continued

(1) Changes in provisions for the years ended December 31, 2014 and 2013 are as follows, Continued:

<i>(In millions of won)</i>	Beginning balance	For the year ended December 31, 2013				Ending balance	As of December 31, 2013	
		Increase	Utilization	Reversal	Other		Current	Non-current
Provision for handset subsidy	353,383	9,416	(308,876)			53,923	53,334	589
Provision for restoration	39,895	5,679	(712)	(4,211)	(144)	40,507	13,441	27,066
Other provisions	590		(85)	(17)	(37)	451		451
	393,868	15,095	(309,673)	(4,228)	(181)	94,881	66,775	28,106

(*1) The Group has provided handset subsidy to subscribers who purchase handsets on an installment basis and recognized provision for subsidy amounts which the Group is expected to pay in future periods.

(*2) In the course of the Group's activities, base station and other assets are utilized on leased premises which are expected to have costs associated with restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements. The Group records these restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

(2) The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

	Key assumptions
Provision for handset subsidy	estimation based on historical service retention period data
Provision for restoration	

estimation based on inflation assuming demolition of the relevant assets after six years

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21. Leases**(1) Finance Leases**

The Group has leased telecommunication equipment under finance lease agreements with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Finance Lease Liabilities		
Current portion of long-term finance lease liabilities	3,804	19,351
Long-term finance lease liabilities	26	3,867
	3,830	23,218

The Group's related interest and principal as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014		December 31, 2013	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Less than 1 year	3,909	3,804	20,039	19,351
1~5 years	26	26	3,974	3,867
Sub-total	3,935	3,830	24,013	23,218
Current portion of long-term finance lease liabilities		(3,804)		(19,351)
Long-term finance lease liabilities		26		3,867

(2) Operating Leases

The Group entered into operating leases and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues as of December 31, 2014 and 2013 (included in other non-operating income in the accompanying consolidated statements of income) are as follows:

<i>(In millions of won)</i>	2014		2013	
	Lease payments	Lease revenues	Lease payments	Lease revenues
Less than 1 year	29,233	3,496	32,842	2,422
1~5 years	76,306	1,390	72,236	1,074
More than 5 years	49,582	1,043	65,013	1,026
	155,121	5,929	170,091	4,522

(3) Sale and Leaseback Transaction

For the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is accounted for as an operating lease and the gain on disposal of the property and equipment is recognized in profit or loss. The Group recognized 14,075 million and 13,703 million of lease payments in relation to this lease agreement and 2,469 million and 269 million of lease revenues in relation to the sublease agreement for the years ended December 31, 2014 and 2013, respectively. Expected future lease payments and lease revenues are included in Note 21-(2).

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22. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Present value of defined benefit obligations	437,844	312,494
Fair value of plan assets	(346,257)	(238,293)
	91,587	74,201

(2) Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Discount rate for defined benefit obligations	2.23% ~ 3.70%	3.06% ~ 4.34%
Expected rate of salary increase	2.51% ~ 7.39%	3.05% ~ 6.27%

Discount rate for defined benefit obligations is determined based on the Group's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligations. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	For the year ended December 31	
	2014	2013
Beginning balance	312,494	244,866
Current service cost	109,625	89,802
Interest cost	12,630	9,370
Remeasurement		
- Demographic assumption	2,859	(394)
- Financial assumption	28,287	(12,371)
- Adjustment based on experience	9,932	6,475

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Benefit paid	(46,531)	(42,948)
Others(*)	8,548	17,694
Ending balance	437,844	312,494

(*) Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of 2,939 million, liabilities of 4,433 million succeeded due to transfer of employees from associates, and transfer to construction in progress, etc. Others for the year ended December 31, 2013 include the effect of changes in the consolidation scope of (4,141) million, liabilities of 14,703 million succeeded due to business combination and transfer to construction in progress, etc.

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22. Defined Benefit Liabilities, Continued

(4) Changes in plan assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Beginning balance	238,293	158,345
Interest income	9,538	6,332
Actuarial gain	50	122
Contributions by employer directly to plan assets	117,558	85,683
Benefits paid	(20,711)	(23,827)
Others(*)	1,529	11,638
Ending balance	346,257	238,293

(*) Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of 1,221 million. Others for the year ended December 31, 2013 include the effect of changes in the consolidation scope of (3,074) million and assets of 14,334 million succeeded due to business combination.

The Group expects to make a contribution of 82,062 million to the defined benefit plans during the next financial year.

(5) Expenses recognized in profit and loss (included in labor cost in the accompanying consolidated statements of income) and capitalized into construction-in-progress for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Current service cost	109,625	89,802
Net interest cost	3,092	3,038
	112,717	92,840

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

(6) Details of plan assets as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Equity instruments	1,746	713
Debt instruments	70,778	48,901
Short-term financial instruments, etc.	273,733	188,679
	346,257	238,293

Actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to 9,588 million and 6,472million, respectively.

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22. Defined Benefit Liabilities, Continued

- (7) As of December 31, 2014, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

<i>(In millions of won)</i>	Increase	Decrease
Discount rate (if changed by 0.5%)	(17,290)	17,988
Expected salary increase rate (if changed by 0.5%)	18,064	(17,431)

The sensitivity analysis does not consider dispersion of all cash flows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

Weighted average durations of defined benefit obligations as of December 31, 2014 and 2013 are 9.10 years and 9.12 years, respectively.

23. Derivative Instruments

- (1) Currency swap contracts under cash flow hedge accounting as of December 31, 2014 are as follows:

(In thousands of foreign currencies)

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds)				
		Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)				
		Foreign currency risk	Currency swap	Citibank and five other banks	Jun. 12, 2012 ~ Jun.12, 2017

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Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	Foreign currency risk	Currency swap	Barclays and nine other banks	Nov. 1, 2012~ May 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	Foreign currency risk	Currency swap	BNP Paribas and three other banks	Jan. 17, 2013 ~ Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk	Currency swap	Korea Development Bank and others	Oct. 29, 2013 ~ Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of USD 86,338)	Foreign currency risk	Currency swap	Deutsche bank	Dec. 16, 2013 ~ Apr. 29, 2022

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23. Derivative Instruments, Continued

- (2) As of December 31, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

<i>(In millions of won and thousands of foreign currencies)</i>	Accumulated gain (loss) on valuation of derivatives	Cash flow hedge		Others (*)	Held for trading purpose	Total
		Tax effect	Accumulated foreign currency translation (gain) loss			
Hedged item						
Non-current assets:						
Structured bond(face value of KRW 100,000)					8,713	8,713
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	(40,360)	(12,886)	(17,545)	129,806		59,015
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	8,895		(6,588)			2,307
Total assets						70,035
Non-current liabilities:						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	(8,725)	(2,786)	(29,993)			(41,504)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	(22,903)	(7,312)	6,058			(24,157)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	2,588	826	(65,496)			(62,082)
Fixed-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	(4,369)	(1,395)	4,668			(1,096)

Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 86,338)	(4,439)	(1,417)	3,806	(2,050)
Total liabilities				(130,889)

(*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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24. Share Capital and Capital Surplus (Deficit) and Other Capital Adjustments

The Parent Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won, except for share data)</i>	December 31, 2014	December 31, 2013
Authorized shares	220,000,000	220,000,000
Issued shares(*1)	80,745,711	80,745,711
Share capital		
Common stock	44,639	44,639
Capital surplus and other capital adjustments:		
Paid-in surplus	2,915,887	2,915,886
Treasury stock (Note 25)	(2,139,683)	(2,139,683)
Loss on disposal of treasury stock	(18,087)	(18,087)
Hybrid bonds (Note 26)	398,518	398,518
Others(*2)	(878,637)	(839,126)
	277,998	317,508

(*1) For the years ended December 31, 2003, 2006 and 2009, the Parent Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Parent Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for years ended December 31, 2014 and 2013. Changes in number of shares outstanding for the years ended December 31, 2014 and 2013 are follows:

<i>(In shares)</i>	2014	2013				
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Beginning issued shares	80,745,711	9,809,375	70,936,336	80,745,711	11,050,712	69,694,999
Disposal of treasury stock					(1,241,337)	1,241,337
Ending issued shares	80,745,711	9,809,375	70,936,336	80,745,711	9,809,375	70,936,336

(*2) Others primarily consist of the excess of the consideration paid by the Group over the carrying values of net assets acquired from common control transactions with entities within the control of the Ultimate Controlling Entity (See Note 12).

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25. Treasury Stock

The Parent Company acquired treasury stock to provide stock dividends, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed.

Treasury stock as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won, shares)</i>	December 31, 2014	December 31, 2013
Number of shares	9,809,375	9,809,375
Amount	2,139,683	2,139,683

26. Hybrid Bonds

Hybrid bonds classified as equity as of December 31, 2014 is as follows:

<i>(In millions of won)</i>	Type	Issuance date	Maturity	Annual interest rate(%)	Amount
Private hybrid bonds	Blank coupon unguaranteed subordinated bond	June 7, 2013	June 7, 2073(*1)	4.21(*2)	400,000
Issuance costs					(1,482)
					398,518

Hybrid bonds issued by the Parent Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common shareholders in the event of a liquidation or reorganization of the Parent Company.

(*1) The Parent Company has a right to extend the maturity under the same issuance terms without any notice or announcement. The Parent Company also has the right to defer interest payment at its sole discretion.

(*2) Annual interest rate is adjusted after five years from the issuance date.

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27. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Appropriated:		
Legal reserve	22,320	22,320
Reserve for research & manpower development	151,533	155,767
Reserve for business expansion	9,476,138	9,376,138
Reserve for technology development	2,416,300	2,271,300
	12,066,291	11,825,525
Unappropriated	2,122,300	1,276,970
	14,188,591	13,102,495

(2) Legal reserve

The Korean Commercial Act requires the Parent Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

28. Reserves

(1) Details of reserves, net of taxes, as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Unrealized fair value of available-for-sale financial assets	235,385	208,529
Other comprehensive loss of investments in associates	(163,808)	(172,117)
Unrealized fair value of derivatives	(77,531)	(35,429)
Foreign currency translation differences for foreign operations	1,465	(13,253)
	(4,489)	(12,270)

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28. Reserves, Continued

(2) Changes in reserves for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014				
	Unrealized fair value of available- for-sale financial assets	Other compre- hensive loss of investments in associates	Unrealized fair value of derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2014	208,529	(172,117)	(35,429)	(13,253)	(12,270)
Changes	30,945	8,381	(54,290)	14,718	(246)
Tax effect	(4,089)	(72)	12,188		8,027
Balance at December 31, 2014	235,385	(163,808)	(77,531)	1,465	(4,489)
	2013				
<i>(In millions of won)</i>	Unrealized fair value of available-for- sale financial assets	Other compre- hensive loss of investments in associates	Unrealized fair value of derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2013	207,063	(175,044)	(46,652)	(11,003)	(25,636)
Changes	2,747	1,254	14,488	(2,250)	16,239
Tax effect	(1,281)	1,673	(3,265)		(2,873)
Balance at December 31, 2013	208,529	(172,117)	(35,429)	(13,253)	(12,270)

(3) Details of changes in unrealized fair value of available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

	2014		
<i>(In millions of won)</i>	Before taxes	Income tax effect	After taxes
Balance at January 1, 2014	275,663	(67,134)	208,529
Amount recognized as other comprehensive loss during the year	40,785	(6,470)	34,315
Amount reclassified to profit or loss	(9,840)	2,381	(7,459)
Balance at December 31, 2014	306,608	(71,223)	235,385
	2013		
<i>(In millions of won)</i>	Before taxes	Income tax effect	After taxes
Balance at January 1, 2013	272,917	(65,854)	207,063
Amount recognized as other comprehensive income during the year	3,879	(1,529)	2,350
Amount reclassified to profit or loss	(1,133)	249	(884)
Balance at December 31, 2013	275,663	(67,134)	208,529

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28. Reserves, Continued

- (4) Details of changes in unrealized fair value of derivatives for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2014	(48,211)	12,782	(35,429)
Amount recognized as other comprehensive loss during the year	(46,535)	10,311	(36,224)
Amount reclassified through profit or loss	(7,755)	1,877	(5,878)
Balance at December 31, 2014	(102,501)	24,970	(77,531)

<i>(In millions of won)</i>	2013		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2013	(62,698)	16,046	(46,652)
Amount recognized as other comprehensive income during the year	11,833	(3,001)	8,832
Amount reclassified through profit or loss	2,654	(263)	2,391
Balance at December 31, 2013	(48,211)	12,782	(35,429)

29. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Other Operating Expenses:		
Communication expenses	58,622	62,193
Utilities	247,919	227,593
Taxes and dues	33,500	29,873

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Repair	260,533	252,344
Research and development	390,943	352,385
Training	42,781	40,446
Bad debt for accounts receivables trade	45,754	53,344
Reversal of allowance for doubtful accounts		(359)
Travel	28,912	31,762
Supplies and other	209,933	189,042
	1,318,897	1,238,623

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30. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Other Non-operating Income:		
Fees	8,199	7,303
Gain on disposal of property and equipment and intangible assets	8,792	7,991
Others(*1)	39,288	59,173
	56,279	74,467
Other Non-operating Expenses:		
Impairment loss on property and equipment, and intangible assets	47,489	13,770
Loss on disposal of property and equipment and intangible assets	32,950	267,468
Donations	67,823	82,057
Bad debt for accounts receivable other	17,943	22,155
Others(*2)	107,353	121,723
	273,558	507,173

(*1) Others for the year ended December 31, 2014 primarily consists of VAT refund.

(*2) Others for the year ended December 31, 2014 and 2013 primarily consists of penalties.

31. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Finance Income:		
Interest income	60,006	65,560

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Dividends	13,048	10,197
Gain on foreign currency transactions	16,301	11,041
Gain on foreign currency translations	6,277	4,401
Gain on disposal of long-term investment securities	13,994	9,300
Gain on valuation of derivative	8,713	
Gain on settlement of derivatives	7,998	7,716
Gain relating to financial asset at fair value through profit or loss		5,177
	126,337	113,392

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31. Finance Income and Costs, Continued

<i>(In millions of won)</i>	2014	2013
Finance Costs:		
Interest expense	323,910	331,834
Loss on foreign currency transactions	18,053	16,430
Loss on foreign currency translations	5,079	2,634
Loss on disposal of long-term investment securities	2,694	31,909
Loss on valuation of derivatives	10	2,106
Loss on settlement of derivatives	672	
Loss relating to financial asset at fair value through profit or loss	1,352	
Loss relating to financial liability at fair value through profit or loss(*)	10,370	134,232
Other finance costs	24,533	52,058
	386,673	571,203

(*) Loss relating to financial liability at fair value through profit or loss for the year ended December 31, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Parent Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

(2) Details of interest income included in finance income for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Interest income on cash equivalents and deposits	33,417	41,907
Interest income on installment receivables and others	26,589	23,653
	60,006	65,560

- (3) Details of interest expense included in finance costs for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Interest expense on bank overdrafts and borrowings	26,360	28,600
Interest expense on debentures	247,972	258,962
Interest on finance lease liabilities	504	1,333
Others	49,074	42,939
	323,910	331,834

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31. Finance Income and Costs, Continued

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2014 and 2013 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in Note 7.

- (i) Finance income and costs

<i>(In millions of won)</i>	2014		2013	
	Finance income	Finance costs	Finance income	Finance costs
Financial Assets:				
Financial assets at fair value through profit or loss	8,713	1,361	5,177	276
Available-for-sale financial assets	32,227	27,227	23,311	83,967
Loans and receivables	57,685	18,182	62,211	16,479
Derivative financial instruments designated as hedged item	7,998	672	7,716	1,830
Sub-total	106,623	47,442	98,415	102,552
Financial Liabilities:				
Financial liabilities at fair value through profit or loss		10,370		134,232
Financial liabilities measured at amortized cost	19,714	328,861	14,977	334,419
Sub-total	19,714	339,231	14,977	468,651
Total	126,337	386,673	113,392	571,203

- (ii) Other comprehensive income (loss)

<i>(In millions of won)</i>	2014	2013
Financial Assets:		
Available-for-sale financial assets	26,855	2,009
Derivative financial instruments designated as hedged item	(20,301)	12,240

Sub-total	6,554	14,249
Financial Liabilities:		
Derivative financial instruments designated as hedged item	(21,801)	(1,018)
Sub-total	(21,801)	(1,018)
Total	(15,247)	13,231

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31. Finance Income and Costs, Continued

- (5) Details of impairment losses for financial assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Available-for-sale financial assets	24,533	52,058
Bad debt for accounts receivable trade	45,754	53,344
Bad debt for accounts receivable other	17,943	22,167
	88,230	127,569

32. Income Tax Expense for Continuing Operations

- (1) Income tax expenses for continuing operations for the years ended December 31, 2014 and 2013 consist of the following:

<i>(In millions of won)</i>	2014	2013
Current tax expense		
Current tax payable	181,273	145,457
Adjustments recognized in the period for current tax of prior periods	(19,938)	(16,696)
	161,335	128,761
Deferred tax expense		
Changes in net deferred tax assets	276,049	266,601
Tax directly charged to equity	16,929	(3,584)
Changes in scope of consolidation		8,919
Others (exchange rate differences, etc.)	195	100
	293,173	272,036
Income tax for continuing operation	454,508	400,797

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32. Income Tax Expense for Continuing Operations, Continued

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2014 and 2013 is attributable to the following:

<i>(In millions of won)</i>	2014	2013
Income taxes at statutory income tax rates	544,964	441,697
Non-taxable income	(32,277)	(35,632)
Non-deductible expenses	61,580	74,311
Tax credit and tax reduction	(33,581)	(37,893)
Changes in unrealizable deferred taxes	(43,820)	(13,285)
Others (income tax refund and tax rate differences, etc.)	(42,358)	(28,401)
Income tax for continuing operation	454,508	400,797

Tax rates applied for the above taxable income for the years ended December 31, 2014 and 2013 are corporate income tax rates applied for taxable income in Republic of Korea, of which SK Telecom Co., Ltd., the Parent Company, is located.

- (3) Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Net change in fair value of available-for-sale financial assets	(4,089)	(1,281)
Share of other comprehensive income of associates	(72)	1,673
Gain or loss on valuation of derivatives	12,188	(3,265)
Remeasurement of defined benefit liabilities	8,902	(466)
Loss on disposal of treasury stock		(245)
	16,929	(3,584)

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32. Income Tax Expense for Continuing Operations, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	Beginning	Deferred tax expense (benefit)	2014 Directly added to (deducted from) equity	Other	Ending
Deferred tax assets (liabilities) related to temporary differences					
Allowance for doubtful accounts	56,427	(2,700)		(149)	53,578
Accrued interest income	(2,831)	381			(2,450)
Available-for-sale financial assets	(589)	(146)	(4,089)		(4,824)
Investments in subsidiaries and associates	(44,844)	(165,663)	(72)	(464)	(211,043)
Property and equipment (depreciation)	(333,633)	(38,690)		(9)	(372,332)
Provisions	14,303	(6,699)		(17)	7,587
Retirement benefit obligation	16,089	2,390	8,902	(20)	27,361
Gain or loss on valuation of derivatives	12,779	2	12,188		24,969
Gain or loss on foreign currency translation	19,572	(248)			19,324
Tax free reserve for research and manpower development	(40,011)	32,849			(7,162)
Goodwill relevant to leased line	31,025	(26,592)			4,433
Unearned revenue (activation fees)	53,412	(27,435)			25,977
Others	44,738	(61,274)		854	(15,682)
	(173,563)	(293,825)	16,929	195	(450,264)
Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards					
Tax loss carryforwards	31,060	652			31,712
Tax credit carryforwards					
	31,060	652			31,712

(142,503) (293,173) 16,929 195 (418,552)

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For the years ended December 31, 2014 and 2013

32. Income Tax Expense for Continuing Operations, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows, Continued:

<i>(In millions of won)</i>	Beginning	Changes in scope of consolidation	2013		Other	Ending
			Deferred tax expense (benefit)	Directly added to (deducted from) equity		
Deferred tax assets (liabilities) related to temporary differences						
Allowance for doubtful accounts	51,972	(2,323)	6,773		5	56,427
Accrued interest income	(1,782)	(756)	(293)			(2,831)
Available-for-sale financial assets	13,419	(45)	(12,682)	(1,281)		(589)
Investments in subsidiaries and associates	66,969	51	(113,541)	1,673	4	(44,844)
Property and equipment (depreciation)	(272,940)	4,940	(65,633)			(333,633)
Provisions	86,567	206	(72,470)			14,303
Retirement benefit obligation	16,849	151	(445)	(466)		16,089
Gain or loss on valuation of derivatives	15,894		150	(3,265)		12,779
Gain or loss on foreign currency translation	19,652		(80)			19,572
Tax free reserve for research and manpower development	(31,093)		(8,918)			(40,011)
Goodwill relevant to leased line	68,675		(37,650)			31,025
Unearned revenue (activation fees)	97,110		(43,698)			53,412
Others	(23,804)	(11,654)	80,350	(245)	91	44,738
	107,488	(9,430)	(268,137)	(3,584)	100	(173,563)

Deferred tax assets related to unused tax loss carryforwards and unused tax

credit carryforwards

Tax loss carryforwards	16,609	18,350	(3,899)			31,060
Tax credit carryforwards	1	(1)				
	16,610	18,349	(3,899)			31,060
	124,098	8,919	(272,036)	(3,584)	100	(142,503)

- (5) Details of temporary differences, unused tax loss carryforwards and unused tax credits carryforwards which are not recognized as deferred tax assets, as the Group does not believe it is probable that the deferred tax assets will be realizable in the future, in the consolidated statements of financial position as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Allowance for doubtful accounts	155,634	152,341
Investments in subsidiaries and associates	422,033	719,974
Other temporary differences	314,188	221,264
Unused tax loss carryforwards	729,570	669,890
Unused tax credit carryforwards	2,438	
	1,623,863	1,763,469

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

32. Income Tax Expense for Continuing Operations, Continued

- (6) The expirations of unused tax loss carryforwards and unused tax credit carryforwards which are not recognized as deferred tax assets as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	Unused tax loss carryforwards	Unused tax credit carryforwards
Less than 1 year	1,087	270
1 ~ 2 years	4,894	1,041
2 ~ 3 years		155
More than 3 years	723,589	972
	729,570	2,438

33. Earnings per Share

- (1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In millions of won, shares)</i>	2014	2013
Basic earnings per share attributable to owners of the Parent Company from continuing operation:		
Profit attributable to owners of the Parent Company from continuing operations	1,801,178	1,463,097
Interest on hybrid bonds	(16,840)	(8,420)
Profit attributable to owners of the Parent Company from continuing operations on common shares	1,784,338	1,454,677
Weighted average number of common shares outstanding	70,936,336	70,247,592
Basic earnings per share from continuing operations (In won)	25,154	20,708

Basic earnings per share attributable to owners of the Parent Company:		
Profit attributable to owners of the Parent Company	1,801,178	1,638,964
Interest on hybrid bond	(16,840)	(8,420)
Profit attributable to owners of the Parent Company on common shares	1,784,338	1,630,544
Weighted average number of common shares outstanding	70,936,336	70,247,592
Basic earnings per share (In won)	25,154	23,211

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

33. Earnings per Share, Continued

(1) Basic earnings per share, Continued

- 2) Profit attributable to owners of the Parent Company from continuing operation for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In millions of won)</i>	2014	2013
Profit attributable to owners of the Parent Company	1,801,178	1,638,964
Profit from discontinued operation attributable to owners of the Parent Company		175,867
Profit attributable to owners of the Parent Company from continuing operation	1,801,178	1,463,097

- 3) The weighted average number of common shares outstanding for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In shares)</i>	2014	2013
Outstanding common shares	80,745,711	80,745,711
Weighted number of treasury stocks	(9,809,375)	(10,498,119)
Weighted average number of common shares outstanding	70,936,336	70,247,592

(2) Diluted earnings per share

For the year ended December 31, 2014, there were no potentially dilutive shares. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the year ended December 31, 2013 as effect would have been anti-dilutive (diluted shares of 688,744). Therefore, diluted earnings per share for the years ended December 31, 2014 and 2013 are the same as basic earnings per share.

(3) Basic earnings per share from discontinued operation

<i>(In millions of won, shares)</i>	2014	2013
Profit from discontinued operation attributable to owners of the Parent Company		175,867
Weighted average number of common shares outstanding	70,936,336	70,247,592
Basic earnings per share (In won)		2,503

Diluted earnings per share from discontinued operation are the same as basic earnings per share from discontinued operation.

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For the years ended December 31, 2014 and 2013

34. Dividends

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won, except for face value and share data)

Year	Dividend type	Face value			Dividends
		Number of shares outstanding	(In won)	Dividend ratio	
2014	Cash dividends (Interim)	70,936,336	500	200%	70,937
	Cash dividends (Year-end)	70,936,336	500	1680%	595,865
					666,802
2013	Cash dividends (Interim)	70,508,482	500	200%	70,508
	Cash dividends (Year-end)	70,936,336	500	1,680%	595,865
					666,373

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

Year	Dividends calculated	Profit	Dividends payout ratio
2014	666,802	1,801,178	37.02%
2013	666,373	1,638,964	40.66%

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2014 and 2013 are as follows:

(In won)

Year	Dividend type	Dividend per share	Closing price at settlement	Dividend yield ratio
2014	Cash dividend	9,400	268,000	3.51%
2013	Cash dividend	9,400	230,000	4.09%

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For the years ended December 31, 2014 and 2013

35. Categories of Financial Instruments

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows:

	December 31, 2014				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
<i>(In millions of won)</i>					
Cash and cash equivalents			834,429		834,429
Financial instruments			313,699		313,699
Short-term investment securities		280,161			280,161
Long-term investment securities(*1)	7,817	948,463			956,280
Accounts receivable trade			2,460,686		2,460,686
Loans and other receivables(*2)			1,123,507		1,123,507
Derivative financial assets	8,713			61,322	70,035
	16,530	1,228,624	4,732,321	61,322	6,038,797

	December 31, 2013				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
<i>(In millions of won)</i>					
Cash and cash equivalents			1,398,639		1,398,639

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Financial instruments			319,616		319,616
Short-term investment securities		106,068			106,068
Long-term investment securities(*1)	20,532	947,995			968,527
Accounts receivable trade			2,270,471		2,270,471
Loans and other receivables(*2)			1,044,529		1,044,529
Derivative financial assets(*3)	10			41,712	41,722
	20,542	1,054,063	5,033,255	41,712	6,149,572

(*1) Long-term investment securities were designated as financial assets at fair value through profit of loss since the embedded derivative (conversion right option), which should be separated from the host contract, could not be separately measured.

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SK TELECOM CO., LTD. and Subsidiaries

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For the years ended December 31, 2014 and 2013

35. Categories of Financial Instruments, Continued

(*2) Details of loans and other receivables as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Short-term loans	74,512	79,395
Accounts receivable other	690,527	643,603
Accrued income	10,134	11,941
Other current assets	3,866	2,548
Long-term loans	55,728	57,442
Long-term accounts receivable-other	3,596	
Guarantee deposits	285,144	249,600
	1,123,507	1,044,529

(*3) Derivative financial assets classified as financial assets at fair value through profit or loss is the fair value of conversion right of convertible bonds held by SK Communications Co., Ltd., a subsidiary of the Parent Company.

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	
Accounts payable trade		275,495		275,495
Derivative financial liabilities			130,889	130,889
Borrowings		537,562		537,562
Debentures(*1)	110,365	6,108,265		6,218,630

Accounts payable other and others(*3)		3,241,615		3,241,615
	110,365	10,162,937	130,889	10,404,191

	December 31, 2013			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
<i>(In millions of won)</i>				
Accounts payable trade		214,716		214,716
Derivative financial liabilities			124,339	124,339
Borrowings		386,192		386,192
Debentures(*2)	96,147	5,830,324		5,927,471
Accounts payable other and others(*3)		3,949,794		3,949,794
	96,147	10,381,026	124,339	10,601,512

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For the years ended December 31, 2014 and 2013

35. Categories of Financial Instruments, Continued

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.

(*2) The entire amount of debentures as of December 31, 2013 was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.

(*3) Details of accounts payable other and other payables as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Accounts payable other	1,381,850	1,864,024
Withholdings	1,760	1,549
Accrued expenses	952,418	988,193
Current portion of long-term payables - other	193,193	226,151
Long-term payables other	684,567	838,585
Finance lease liabilities	26	3,867
Other non-current liabilities	27,801	27,425
	3,241,615	3,949,794

36. Financial Risk Management**(1) Financial risk management**

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is the risk related to the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Group implements a risk management system to monitor and manage these specific risks.

The Group's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, available-for-sale financial assets, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

1) Market risk

(i) Currency risk

The Group is exposed to currency risk mainly on exchange fluctuations on recognized assets and liabilities. The Group manages currency risk by currency forward, etc. if needed to hedge currency risk on business transactions. Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Group.

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary foreign currency assets and liabilities as of December 31, 2014 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	162,382	178,323	1,877,566	2,063,802
EUR	5,259	7,059	2,352	3,143
JPY	29,184	268	5,174	48
AUD	79	66		
CHF			298,536	268,411
SGD			298,956	332,269
Others	161,777	11,656	43,656	1,227
		197,372		2,668,900

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 23)

As of December 31, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	If increased by 10%	If decreased by 10%
USD	5,913	(5,913)

EUR	356	(356)
JPY	22	(22)
Others	1,050	(1,050)
	7,341	(7,341)

(ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2014, available-for-sale equity instruments measured at fair value amount to 846,614 million.

(iii) Interest rate risk

Since the Group's interest bearing assets are mostly fixed-interest bearing assets, as such, the Group's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Group still has interest rate risk arising from borrowings and debentures.

Accordingly, the Group performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk, Continued

The interest rate risk arises from the Group's floating-rate borrowings and bonds agreements. As of the year ended December 31, 2014, the floating-rate borrowings and bonds are 49,800 million and 329,760 million, respectively, and the Group has entered into interest rate swap agreements, as described in Note 23, for all floating-rate bonds to hedge the interest rate risk of floating-rate bonds. On the other hand, if the interest rate increases (decreases) 1% with all other variables held constant, income before income taxes as of the end of December 31, 2014, fluctuates as much as 498 million due to the interest expense on floating-rate borrowings that have not entered into an interest rate swap agreement.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Cash and cash equivalents	833,129	1,398,548
Financial instruments	313,699	319,616
Available-for-sale financial assets	15,498	35,174
Accounts receivable trade	2,460,686	2,270,471
Loans and receivables	1,123,507	1,044,529
Derivative financial assets	70,035	41,712
Financial assets at fair value through profit or loss	7,817	20,532
	4,824,371	5,130,582

To manage credit risk, the Group evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Group establishes credit limits for each customer or counterparty.

For the year ended December 31, 2014, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of December 31, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 7 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 31.

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash and cash equivalents balances and have enough liquidity through various committed credit lines. The Group manages liquidity risks by maintaining credit lines in case of insufficient liquidity generated by operating activities.

Contractual maturities of financial liabilities as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable - trade	275,495	275,495	275,494		
Borrowings(*1)	537,562	555,407	386,814	129,047	39,546
Debentures(*1)	6,218,630	7,516,339	770,663	4,082,384	2,663,292
Accounts payable - other and others(*2)	3,241,615	3,271,633	2,421,297	598,447	251,889
	10,273,302	11,618,874	3,854,268	4,809,878	2,954,727

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at different amounts.

(*1) Includes estimated interest to be paid and excludes discounts on borrowings and debentures.

(*2) Excludes discounts on accounts payable-other and others.

As of December 31, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
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Assets	61,322	64,440	6,288	42,448	15,704
Liabilities	(130,889)	(137,344)	(15,145)	(121,463)	(736)
	(69,567)	(72,904)	(8,857)	(79,015)	14,968

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SK TELECOM CO., LTD. and Subsidiaries

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36. Financial Risk Management, Continued

(2) Capital management

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Group is the same as that of the group as of and for the year ended 31 December 2013.

The Group monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total liabilities divided by total equity which are extracted from the financial statements.

Debt-equity ratio as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Liabilities	12,692,963	12,409,958
Equity	15,248,270	14,166,557
Debt-equity ratio	83.24%	87.60%

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	16,530		8,713	7,817	16,530
Derivative financial assets	61,322		61,322		61,322
Available-for-sale financial assets	846,614	657,286	47,002	142,326	846,614
	924,466	657,286	117,037	150,143	924,466
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	834,429				
Available-for-sale financial assets(*1,2)	382,010				
Accounts receivable trade and others(*1)	3,584,193				
Financial instruments(*1)	313,699				
	5,114,331				
Financial liabilities that can be measured at fair value					
Financial liabilities at fair value through profit or loss	110,365		110,365		110,365
Derivative financial liabilities	130,889		130,889		130,889
	241,254		241,254		241,254
Financial liabilities that cannot be measured at fair value					
Accounts payable trade(*1)	275,495				

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Borrowings	537,562	548,583	548,583
Debentures	6,108,265	6,514,832	6,514,832
Accounts payable - other and others(*1)	3,241,615		
	10,162,937	7,063,415	7,063,415

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For the years ended December 31, 2014 and 2013

36. Financial Risk Management, Continued

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

<i>(In millions of won)</i>	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	20,542		20,532	10	20,542
Derivative financial assets	41,712		41,712		41,712
Available-for-sale financial assets	839,647	638,445	46,414	154,788	839,647
	901,901	638,445	108,658	154,798	901,901
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	1,398,639				
Available-for-sale financial assets(*1,2)	214,416				
Accounts receivable trade and others(*1)	3,314,999				
Financial instruments(*1)	319,616				
	5,247,670				
Financial liabilities that can be measured at fair value					
Financial liabilities at fair value through profit or loss	96,147	96,147			96,147
Derivative financial liabilities	124,339		124,339		124,339
	220,486	96,147	124,339		220,486

Financial liabilities that cannot be measured at fair value

Accounts payable - trade(*1)	214,716		
Borrowings	386,192	399,247	399,247
Debentures	5,830,324	5,946,586	5,946,586
Accounts payable - other and others(*1)	3,949,794		
	10,381,026	6,345,833	6,345,833

(*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

(*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

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36. Financial Risk Management, Continued**(3) Fair value, Continued**

The management uses various valuation methods for valuation of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Group performs valuation using the inputs which are consistent with natures of assets and liabilities being evaluated.

Fair values of accounts receivable - trade, and accounts payable - trade are considered to be carrying amount less impairment and fair value of financial liabilities for the disclosure purpose is estimated by discounting contractual future cash flows using the current market interest rate used for the similar financial instruments by the Group.

Interest rates used by the Group for the fair value measurement as of December 31, 2014 are as follows:

	Interest rate
Derivative instruments	1.90% ~ 2.40%
Borrowings and debentures	2.55 ~ 2.68%

- 3) There have been no transfers from Level 2 to Level 1 in 2014 and changes of financial assets classified as Level 3 for the year ended December 31, 2014 are as follows:

	Balance at Jan. 1	Acquisition	Gain for comprehensive the period	Other loss	Disposal	Balance at Dec. 31
Financial assets at fair value through profit or loss	10	5,000	2,817		(10)	7,817
Available-for-sale financial assets	154,788	34,611		(2,339)	(44,734)	142,326

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36. Financial Risk Management, Continued

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2014 are as follows:

		Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position	Net amount
					Cash Financial collaterals received	
<i>(In millions of won)</i>						
Financial assets:						
Derivatives(*)		48,057		48,057	(45,892)	2,165
Accounts receivable	trade and other	128,794	(117,568)	11,226		11,226
		176,851	(117,568)	59,283	(45,892)	13,391
Financial liabilities:						
Derivatives(*)		45,892		45,892	(45,892)	
Accounts payable	other and others	117,568	(117,568)			
		163,460	(117,568)	45,892	(45,892)	

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2013 are as follows:

	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position	Net amount
--	--	---	---	--	------------

<i>(In millions of won)</i>				financial position	position Financial instruments	Cash collaterals received
Financial assets:						
Derivatives(*)		28,870		28,870	(28,870)	
Accounts receivable	trade and others	138,897	(127,055)	11,842		11,842
		167,767	(127,055)	40,712	(28,870)	11,842
Financial liabilities:						
Derivatives(*)		43,536		43,536	(28,870)	14,666
Accounts payable	others	127,055	(127,055)			
		170,591	(127,055)	43,536	(28,870)	14,666

(*) The Group entered into derivative contracts which include enforceable master netting arrangement in accordance with International Swap and Derivatives Association (ISDA). Generally, all contracts made with the identical currencies are settled from one party to another by combining one net amount. In this case, all contracts are liquidated and paid off at net amount by evaluating liquidation value if credit events such as bankruptcy occur. ISDA agreements do not allow the Group to exercise rights of set-off unless credit events such as bankruptcy occur. Therefore, assets and liabilities recognized in accordance with the agreements cannot be offset as the Group does not have enforceable rights of set-off.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

37. Transactions with Related Parties

- (1) List of related parties

Relationship

Ultimate Controlling Entity
 Subsidiaries
 Joint venture
 Associates
 Affiliates

Interest rate

SK Holding Co., Ltd.
 SK Planet Co., Ltd. and 39 others (See Note 1)
 Dogus Planet, Inc. and 4 others
 SK hynix Inc. and 59 others
 The Ultimate Controlling Entity's investee under equity method, the Ultimate Controlling Entity's subsidiaries and associates, etc.

- (2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Salaries	2,600	2,263
Provision for retirement benefits	907	1,012
	3,507	3,275

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

37. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>		2014				Loans Loans collection
		Operating revenue others	Operating expense and others	Acquisition of property and equipment		
Scope	Company					
Ultimate						
Controlling Entity	SK Holding Co., Ltd.(*1)	530	226,772			
Associates	F&U Credit information Co., Ltd.	2,395	45,417			
	HappyNarae Co., Ltd.	253	6,492	10,418		
	SK hynix Inc.	12,964	3,391			
	SK USA, Inc.		2,153			
	SK Wyverns Baseball Club., Ltd.	901	22,402			204
	KEB HanaCard Co., Ltd.(*2)	39,828	5,416			
	Others	5,852	15,150			45
		62,193	100,421	10,418	45	204
Other	SK Engineering & Construction Co., Ltd.	3,385	42,964	460,783		
	SK C&C Co., Ltd.	18,309	360,842	168,778		
	SK Networks Co., Ltd.	16,230	1,509,017	5,388		
	SK Networks Services Co., Ltd.	13,017	106,273	2,583		
	SK Telesys Co., Ltd.	494	64,038	205,538		
	SK Energy Co., Ltd.	22,650	944			
	SK Gas Co., Ltd.	10,115				
	Others	25,537	38,868	12,628		
		109,737	2,122,946	855,698		
Total		172,460	2,450,139	866,116	45	204

(*1) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

(*2)

During the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Parent Company's associate and KEB Card Co., Ltd., the Group exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the merged company, KEB HanaCard Co., Ltd. (See Note 13.(1)).

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

<i>(In millions of won)</i>		2013			
		Operating revenue and others	Operating expense and others	Acquisition of property and equipment	Loans collection
Scope	Company				
Ultimate					
Controlling Entity	SK Holding Co., Ltd.(*)	1,912	226,023		
Associates	F&U Credit information Co., Ltd.	1,753	43,931		
	HappyNarae Co., Ltd.	281	6,217	10,542	
	SK hynix Inc.	3,178	1,160		
	SK USA, Inc.		2,086		
	SK Wyverns Baseball Club., Ltd.	363			204
	HanaSK Card Co., Ltd.(*2)	11,129	14,342		
	Others	3,171	3,734	125	1,200
		19,875	71,470	10,667	1,200
Other	SK Engineering & Construction Co., Ltd.	5,564	37,978	484,006	
	SK C&C Co., Ltd.	4,041	357,945	206,298	
	SK Networks Co., Ltd.	51,996	1,463,341	6,241	
	SK Networks Services Co., Ltd.	6,165	108,972	3,057	
	SK Telesys Co., Ltd.	1,554	99,381	234,319	
	SK Energy Co., Ltd.	20,831	2,422		
	SK Gas Co., Ltd.	6,656			
	Others	30,905	43,759	11,724	
		127,712	2,113,798	945,645	
Total		149,499	2,411,291	956,312	1,200

(*) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

37. Transactions with Related Parties, Continued

(4) Account balances as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>		2014		
		Loans	Accounts receivable receivable-trade, and others	Accounts payable payable trade, and others
Scope	Company			
Ultimate Controlling Entity	SK Holding Co., Ltd.		90	
Associates	HappyNarae Co., Ltd.		13	2,650
	F&U Credit information Co., Ltd.		148	797
	SK hynix Inc.		2,800	2,840
	SK Wyverns Baseball Club Co., Ltd.	1,221		
	Wave City Development Co., Ltd.	1,200	38,412	
	Daehan Kanggun BcN Co., Ltd.	22,148		
	KEB HanaCard Co., Ltd.		1,998	59
	Others		543	1,285
		24,569	43,914	7,631
Other	SK Engineering & Construction Co., Ltd.		897	27,282
	SK C&C Co., Ltd.		1,393	121,145
	SK Networks. Co., Ltd.		2,608	238,351
	SK Networks Services Co., Ltd.		16	2,922
	SK Telesys Co., Ltd.		321	3,037
	SK innovation co., ltd.		1,641	271
	SK Energy Co., Ltd.		4,781	79
	SK Gas Co., Ltd.		2,143	47
	Others		2,813	9,342
			16,613	402,476

Total	24,569	60,617	410,107
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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

37. Transactions with Related Parties, Continued

<i>(In millions of won)</i>		2013		
		Loans	Accounts receivable Accounts receivable-trade, and others	Accounts payable trade, and others
Scope	Company			
Ultimate Controlling Entity	SK Holding Co., Ltd.		334	
Associates	HappyNarae Co., Ltd.		27	16,317
	F&U Credit information Co., Ltd.		258	585
	SK hynix Inc.		392	
	SK Wyverns Baseball Club Co., Ltd.	1,425		
	Wave City Development Co., Ltd.	1,200	38,412	
	Daehan Kanggun BcN Co., Ltd.	22,102		
	SK USA, Inc.			436
	Hana Card Co., Ltd.		3,723	468
	Others		10	947
		24,727	42,822	18,753
Other	SK Engineering & Construction Co., Ltd.		988	92,058
	SK C&C Co., Ltd.		182	127,571
	SK Networks. Co., Ltd.		5,930	118,759
	SK Networks Services Co., Ltd.		3	5,048
	SK Telesys Co., Ltd.		412	70,467
	SK innovation co., ltd.		1,480	286
	SK Energy Co., Ltd.		5,457	7,438
	SK Gas Co., Ltd.		1,469	47
	Others		3,223	31,592
			19,144	453,266
Total		24,727	62,300	472,019

- (5) As of December 31, 2014, there are no collateral and guarantee provided by the Group to related parties nor by related parties to the Group.
- (6) M&Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provides a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (7) There were additional investments in associates and joint ventures during the year ended December 31, 2014. (See Note 13)
- (8) For the year ended December 31, 2014, the Group acquired convertible bonds with a face value of 6,000 million from Health Connect Co., Ltd. at the face value. The convertible bonds are included in long-term investment securities.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

38. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of 14,230 million as of December 31, 2014.

SK Broadband Co., Ltd., has guaranteed for employees borrowings relating to employee stock ownership and provided short-term financial instruments amounting to 2,071 million as collateral as of December 31, 2014.

In addition, Neosnetworks Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for facility funds borrowings in the amount of 2,071 million as of December 31, 2014.

(2) Contingencies

As of December 31, 2014, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary of the Parent Company, amounts to 2,097 million. The ultimate outcome of such litigation is not expected to have a material effect on the Group's financial position or performance results.

(3) Guarantee provided

PS&Marketing Corporation, a subsidiary of the Parent Company, obtained 3,000 million of payment guarantees related to handsets purchased from the Apple Computer Korea Ltd.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

39. Discontinued Operation**(1) Discontinued operation**

During the year ended December 31, 2013, SK Planet Co., Ltd., a subsidiary of the Parent Company, sold 52.6% of its ownership interests (13,294,369 shares) in Loen Entertainment, Inc., to Star Invest Holdings Limited. Consideration for the sale amounted to 265,887 million. Loen Entertainment was a subsidiary of SK Planet Co., Ltd. and is engaged in the release of music discs as its primary business. The Group's ownership interests after the disposition is 15.0% and Loen Entertainment, Inc. was excluded from the Group's consolidated financial statements as of the date of the sale.

(2) Results of discontinued operations

Results of discontinued operations included in the consolidated statements of income for the year ended December 31, 2013 are as follows. The consolidated statement of income presented for comparative purposes was restated in order to present discontinued operation segregated from the Group's continuing operations.

<i>(In millions of won)</i>	2013
Results of discontinued operations:	
Revenue	167,033
Expense	(140,204)
Operating income generated by discontinued operations	26,829
Non-operating income	3,189
Gain on disposal relating to discontinued operations	214,352
Income tax expense	(61,125)
Gain from discontinued operations	183,245
Attributable to :	
Owners of the Parent Company	175,867
Non-controlling interests	7,378

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

39. Discontinued Operation, Continued

(3) Cash flows from discontinued operations

Cash flows from discontinued operations for the year ended December 31, 2013 are as follows:

<i>(In millions of won)</i>	2013
Cash flow from discontinued operations:	
Net cash provided by operating activities	40,884
Net cash provided by investing activities	179,490
Net cash used in financing activities	(4,780)
	215,594

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

40. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Interest income	(60,006)	(67,359)
Dividend	(13,048)	(10,197)
Gain on foreign currency translation	(6,277)	(4,401)
Gain on disposal of long-term investment securities	(13,994)	(9,300)
Gain on valuation of derivatives	(8,713)	
Gain on settlement of derivatives	(7,998)	(7,716)
Gain related to investments in subsidiaries and associates, net	(906,338)	(921,861)
Gain on disposal of property and equipment and intangible assets	(8,792)	(7,991)
Reversal of allowance for doubtful accounts		(359)
Gain relating to financial asset at fair value through profit or loss		(5,177)
Other income	(608)	(3,951)
Interest expenses	323,910	331,834
Loss on foreign currency translation	5,079	2,634
Loss on disposal of long-term investment securities	2,694	31,909
Impairment loss on long-term investment securities	24,533	52,058
Loss on valuation of derivatives	10	2,106
Loss on settlement of derivatives	672	
Income tax expense	454,508	461,922
Expense related to defined benefit plan	112,717	92,840
Depreciation and amortization	2,891,870	2,829,784
Bad debt expenses	45,754	57,163
Loss on disposal of property and equipment and intangible assets	32,950	267,702
Impairment loss on property and equipment and intangible assets	47,489	14,399
Loss relating to financial assets at fair value through profit or loss	1,352	
Loss relating to financial liabilities at fair value through profit or loss	10,370	134,232

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Bad debt for accounts receivable other	17,943	22,167
Impairment loss on other investment securities	22,749	6,136
Other expenses	10,169	6,802
	2,978,995	3,275,376

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

40. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Accounts receivable trade	(168,839)	(267,754)
Accounts receivable other	(52,137)	(41,243)
Accrued income	14	(502)
Advance payments	(62,873)	(26,064)
Prepaid expenses	(36,808)	(1,583)
V.A.T. refund receivable	7,200	(5,442)
Inventories	(171)	(39,610)
Long-term accounts receivables other	80	
Guarantee deposits	(12,699)	59,431
Accounts payable trade	(37,790)	(4,708)
Accounts payable other	(296,875)	(131,142)
Advanced receipts	20,701	(2,916)
Withholdings	306,515	22,025
Deposits received	(4,395)	(1,745)
Accrued expenses	(79,831)	98,081
V.A.T. payable	2,711	(3,901)
Unearned revenue	(140,295)	(188,589)
Provisions	(38,469)	(226,644)
Long-term provisions	29,532	(72,398)
Plan assets	(96,847)	(61,856)
Retirement benefit payment	(46,531)	(42,948)
Others	474	(30,362)
	(707,333)	(969,870)

- (3) Significant non-cash transactions for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
	2,238,620	2,320,528

Transfer of construction in progress to property and equipment, and intangible assets		
Transfer of other property and equipment and others to construction in progress	1,090,954	1,188,826
Increase(decrease) of accounts payable other related to acquisition of property and equipment and intangible assets	(184,614)	350,735
Return of the existing 1.8GHz frequency use rights		614,600

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Exhibit 99.2

SK TELECOM CO., LTD.

Separate Financial Statements

December 31, 2014 and 2013

(With Independent Auditors Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying separate financial statements of SK Telecom Co., Ltd. (the Company) which comprise the separate statements of financial position as at December 31, 2014 and 2013, the separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2014 and 2013 and of its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

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Other Matter

The accompanying separate statement of finance position of the company as of December 31, 2013, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

Seoul, Korea

February 23, 2015

This report is effective as of February 23, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD.

Separate Statements of Financial Position

As of December 31, 2014 and 2013

<i>(In millions of won)</i>	<i>Note</i>	December 31, 2014	December 31, 2013
Assets			
Current Assets:			
Cash and cash equivalents	30,31	248,311	448,459
Short-term financial instruments	5,30,31	143,000	166,000
Short-term investment securities	7,30,31	197,161	102,042
Accounts receivable trade, net	6,30,31,32	1,559,281	1,513,138
Short-term loans, net	6,30,31,32	67,989	72,198
Accounts receivable other, net	6,30,31,32	305,990	388,475
Prepaid expenses		86,070	82,837
Inventories, net		23,694	24,596
Non-current assets held for sale	8		3,667
Advanced payments and other	6,30,31	58,417	16,370
Total Current Assets		2,689,913	2,817,782
Non-Current Assets:			
Long-term financial instruments	5,30,31	69	7,569
Long-term investment securities	7,30,31	608,797	729,703
Investments in subsidiaries and associates	9	8,181,769	8,010,121
Property and equipment, net	10,32	7,705,906	7,459,986
Goodwill	11	1,306,236	1,306,236
Intangible assets, net	12	1,928,169	2,239,167
Long-term loans, net	6,30,31,32	38,457	39,925
Long-term prepaid expenses		28,551	23,007
Guarantee deposits	5,6,30,31,32	156,807	152,057
Long-term derivative financial assets	17,30,31	67,728	41,712
Other non-current assets		60	154
Total Non-Current Assets		20,022,549	20,009,637
Total Assets		22,712,462	22,827,419

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Financial Position, Continued

As of December 31, 2014 and 2013

<i>(In millions of won)</i>	<i>Note</i>	December 31, 2014	December 31, 2013
Liabilities and Equity			
Current Liabilities:			
Short-term borrowings	<i>13,30,31</i>	200,000	260,000
Current installments of debentures and long-term borrowings, net	<i>13,30,31</i>	211,863	622,703
Current installments of long-term payables other	<i>14,30,31</i>	189,389	206,800
Accounts payable other	<i>30,31,32</i>	1,086,485	1,556,201
Withholdings	<i>30,31</i>	801,119	574,166
Accrued expenses	<i>30,31</i>	615,488	653,742
Income tax payable	<i>27</i>	91,315	104,564
Unearned revenue		92,783	178,569
Derivative financial liabilities	<i>17,30,31</i>		21,170
Provisions	<i>15</i>	50,456	66,559
Advanced receipts		39,148	43,599
Total Current Liabilities		3,378,046	4,288,073
Non-Current Liabilities:			
Debentures, excluding current installments, net	<i>13,30,31</i>	4,655,137	4,014,777
Long-term borrowings, excluding current installments	<i>13,30,31</i>	80,147	85,125
Long-term payables other	<i>14,30,31</i>	657,001	828,721
Long-term unearned revenue		19,544	50,894
Defined benefit liabilities	<i>16</i>	15,555	22,886
Long-term derivative financial liabilities	<i>17,30,31</i>	130,889	100,210
Long-term provisions	<i>15</i>	27,676	19,537
Deferred tax liabilities	<i>27</i>	144,876	44,601
Other non-current liabilities	<i>30,31</i>	61,370	57,187
Total Non-Current Liabilities		5,792,195	5,223,938
Total Liabilities		9,170,241	9,512,011
Equity			
Share capital	<i>1,18</i>	44,639	44,639
Capital surplus and other capital adjustments	<i>18,19,20</i>	433,894	433,894
Retained earnings	<i>21,22</i>	12,996,790	12,665,699
Reserves	<i>23</i>	66,898	171,176
Total Equity		13,542,221	13,315,408

Total Liabilities and Equity	22,712,462	22,827,419
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See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Income

For the years ended December 31, 2014 and 2013

<i>(In millions of won except for per share data)</i>	<i>Note</i>	2014	2013
Operating revenue:	4,32		
Revenue		13,012,644	12,860,379
Operating expense:	32		
Labor cost		588,635	598,885
Commissions paid		5,591,245	5,333,869
Depreciation and amortization		2,095,702	2,006,896
Network interconnection		771,786	770,125
Leased line		370,549	412,217
Advertising		213,605	237,291
Rent		377,112	362,659
Cost of products that have been resold		457,049	399,810
Other operating expenses	24	809,801	768,943
		11,275,484	10,890,695
Operating income		1,737,160	1,969,684
Finance income	26	82,276	81,196
Finance costs	26	(293,338)	(422,764)
Other non-operating income	25	37,422	47,618
Other non-operating expenses	25	(184,177)	(417,252)
Loss relating to investments in subsidiaries and associates	9	(57,593)	(37,685)
Profit before income tax		1,321,750	1,220,797
Income tax expense	27	293,209	310,640
Profit for the year		1,028,541	910,157
Earnings per share	28		
Basic earnings per share (in won)		14,262	12,837
Diluted earnings per share (in won)		14,262	12,837

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

<i>(In millions of won)</i>	<i>Note</i>	2014	2013
Profit for the year		1,028,541	910,157
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit liabilities	<i>16</i>	(13,808)	5,927
Items that are or may be reclassified subsequently to profit or loss:			
Net change in unrealized fair value of available-for-sale financial assets	<i>23</i>	(66,103)	4,795
Net change in unrealized fair value of derivatives	<i>17,23</i>	(38,175)	11,793
Other comprehensive income(loss) for the year		(118,086)	22,515
Total comprehensive income		910,455	932,672

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

<i>(In millions of won)</i>	Share capital	Capital surplus (deficit) and other capital adjustments				Retained earnings	Reserves	Total equity	
		Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Hybrid bond				Other
Balance, January 1, 2013	44,639	2,915,887	(2,410,451)	(18,855)	(722,741)	12,413,981	154,588	12,377,048	
Cash dividends						(655,946)		(655,946)	
Issuance of hybrid bond					398,518			398,518	
Interest on hybrid bond						(8,420)		(8,420)	
Treasury stock			270,768	768				271,536	
Total comprehensive income									
Profit for the year						910,157		910,157	
Other comprehensive income						5,927	16,588	22,515	
						916,084	16,588	932,672	
Balance, December 31, 2013	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	12,665,699	171,176	13,315,408
Balance, January 1, 2014	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	12,665,699	171,176	13,315,408
Cash dividends						(666,802)		(666,802)	
Interest on hybrid bond						(16,840)		(16,840)	
Total comprehensive income									
Profit for the year						1,028,541		1,028,541	
						(13,808)	(104,278)	(118,086)	

Other
comprehensive
loss

							1,014,733	(104,278)	910,455
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**Balance,
December 31,
2014**

44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	12,996,790	66,898	13,542,221
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See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Cash Flows

For the years ended December 31, 2014 and 2013

<i>(In millions of won)</i>	<i>Note</i>	2014	2013
Cash flows from operating activities:			
Cash generated from operating activities			
Profit for the year		1,028,541	910,157
Adjustments for income and expenses	34	2,886,389	3,120,427
Changes in assets and liabilities related to operating activities	34	(334,898)	(714,862)
Sub-total		3,580,032	3,315,722
Interest received		20,954	29,695
Dividends received		13,048	20,641
Interest paid		(224,119)	(246,632)
Income tax paid		(168,482)	(96,953)
Net cash provided by operating activities		3,221,433	3,022,473
Cash flows from investing activities:			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		30,500	13,300
Collection of short-term loans		197,925	279,815
Decrease in long-term financial instruments		2,522	
Proceeds from disposal of long-term investment securities		54,218	29,762
Proceeds from disposal of investments in subsidiaries and associates			1,808
Proceeds from disposal of property and equipment		25,677	3,148
Proceeds from disposal of intangible assets		1,127	965
Proceeds from disposal of assets held for sale		3,667	190,393
Collection of long-term loans		3,660	11,727
Proceeds from disposal of other non-current assets		93	290
Sub-total		319,389	531,208
Cash outflows for investing activities:			
Increase in short-term investment securities, net		(94,802)	(45,031)
Increase in short-term loans		(195,700)	(275,913)
Increase in long-term financial instruments		(2,522)	(7,500)
Acquisition of long-term investment securities		(28,801)	(9,313)
Acquisition of investments in subsidiaries and associates		(210,060)	(206,791)
Acquisition of property and equipment		(2,319,016)	(2,201,354)
Acquisition of intangible assets		(91,060)	(179,069)
Increase in long-term loans		(45)	
Sub-total		(2,942,006)	(2,924,971)

Net cash used in investing activities	(2,622,617)	(2,393,763)
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See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Separate Statements of Cash Flows, Continued

For the years ended December 31, 2014 and 2013

<i>(In millions of won)</i>	2014	2013
Cash flows from financing activities:		
Cash inflows from financing activities:		
Proceeds from long-term borrowings	3,552	96,455
Issuance of hybrid bond		398,518
Issuance of debentures	797,364	1,014,859
Cash inflows from settlement of derivatives	119	20,026
Sub-total	801,035	1,529,858
Cash outflows for financing activities:		
Decrease in short-term borrowings, net	(60,000)	(70,000)
Repayment of long-term borrowings	(12,814)	(457,110)
Repayment of long-term account payables-other	(207,668)	(161,575)
Repayment of debentures	(629,940)	(621,976)
Payment of cash dividends	(666,802)	(655,946)
Payment of interest on hybrid bond	(16,840)	
Cash outflows from settlement of derivatives	(5,882)	
Sub-total	(1,599,946)	(1,966,607)
Net cash used in financing activities	(798,911)	(436,749)
Net increase (decrease) in cash and cash equivalents	(200,095)	191,961
Cash and cash equivalents at beginning of the year	448,459	256,577
Effects of exchange rate changes on cash and cash equivalents	(53)	(79)
Cash and cash equivalents at end of the year	248,311	448,459

See accompanying notes to the separate financial statements.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

1. Reporting Entity

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of the Republic of Korea (Korea) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2014, the Company s total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service	5,722,692	7.09
Institutional investors and other minority stockholders	44,850,192	55.54
Treasury stock	9,809,375	12.15
Total number of shares	80,745,711	100.00

2. Basis of Presentation**(1) Statement of compliance**

These separate financial statements were prepared in accordance with (K-IFRS), as prescribed in the Act on External Audit of Stock Companies in the Republic of Korea.

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, Separate Financial Statements presented by a parent, an investor with joint control of, of significant influence over, an investee, in which the investments are accounted for at cost.

The separate financial statements were authorized for issuance by the Board of Directors on February 5, 2015, which will be submitted for approval at the shareholders meeting to be held on March 20, 2015.

(2) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following material items in the separate statement of financial position:

derivative financial instruments are measured at fair value

financial instruments at fair value through profit or loss are measured at fair value

available-for-sale financial assets are measured at fair value

liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation, Continued

(4) Use of estimates and judgments

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

revenue (See Note 4.(21))

classification of lease (See Note 4.(13))

2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: allowance for doubtful accounts, estimated useful lives of property and equipment and intangible assets, impairment of goodwill, recognition of provision, measurement of defined benefit obligations and recognition of deferred tax assets (liabilities).

3) Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the finance executive.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

2. Basis of Presentation, Continued

(4) Use of estimates and judgments, Continued

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Information about assumptions used for fair value measurements are included in Note 31.

(5) Common control transactions

SK Holdings Co., Ltd. (the Ultimate Controlling Entity) is the Ultimate Controlling Entity of the Company because it controls the Company. Accordingly, gains and losses from business acquisitions and dispositions involving entities that are under the control of the Ultimate Controlling Entity are accounted for as common control transactions within equity.

3. Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 4 to all periods presented in these financial statements.

The Company has adopted the following amendments to standards with a date of initial application of January 1, 2014.

(1) Offsetting financial assets and financial liabilities

The Company has adopted amendments to K-IFRS 1032, *Offsetting Financial Assets and Financial Liabilities* since January 1, 2014. The amendments clarify the meaning of *currently has a legally enforceable right of set-off* . According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments also state that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

There is no material impact of the application of this amendment on the Company's financial statements.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate financial statements in accordance with K-IFRSs are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for those as described in Note 3.

(1) Operating segments

The Company presents disclosures relating to operating segments on its separate financial statements in accordance with K-IFRS No. 1108, Operating Segments and such disclosures are not separately disclosed on these separate financial statements.

(2) Investments in subsidiaries and associates

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, Separate Financial Statements. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(4) Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(v) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of income. The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(6) Derivative financial instruments, including hedge accounting, Continued

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset is impaired includes following loss events:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as default or delinquency in interest or principal payments;

the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued**(8) Property, plant and equipment, Continued**

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Company's property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	15, 30
Machinery	3 ~ 6
Other property, plant and equipment (Other PP&E)	4 ~ 10

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(9) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued**(10) Intangible assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Company's intangible assets are as follows:

	Useful lives (years)
Frequency use rights	6.3 ~ 13.1
Land use rights	5
Industrial rights	5, 10
Development costs	5
Facility usage rights	10, 20
Other	3 ~ 20

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(11) Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(i) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

(ii) Grants related to income

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

(12) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(13) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Company recognizes as finance assets and finance liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Company recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, Impairment of Assets .

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(15) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the separate statements of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(16) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Any changes from remeasurements are recognized through profit or loss in the period in which they arise.

(iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: defined benefit plans

As of the end of reporting period, defined benefit liabilities relating to defined benefit plans are recognized as present value of defined benefit obligations net of fair value of plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. When the fair value of plan assets exceeds the present value of the defined benefit obligations, the Company recognizes an asset, to the extent of the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of the net defined benefit liability comprise of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit liability, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and recognized in other comprehensive income. The Group determines net interests on net defined benefit liability (asset) by multiplying discount rate determined at the beginning of the annual reporting period and considers changes in net defined benefit liability (asset) from contributions and benefit payments. Net interest costs and other costs relating to the defined benefit plan are recognized through profit or loss.

When the plan amendment or curtailment occurs, gains or losses on amendment or curtailment in benefits for the past service provided are recognized through profit or loss. The Company recognizes gain or loss on a settlement when the settlement of defined benefit plan occurs.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(17) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(18) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(19) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(20) Hybrid bond

The Company recognizes a financial instrument issued by the Company as an equity instrument if it does not include contractual obligation to deliver financial assets including cash to the counter party.

(21) Revenue

Revenue from the sale of goods, rendering of services or use of assets is measured at the fair value of the consideration received or receivable. Returns, trade discounts and volume rebates, and are recognized as a reduction of revenue.

(i) Services

Revenue from cellular services consists of revenue from basic charges, voice charges, data charges, data-roaming services and interconnection charges. Such revenues are recognized as services are performed. Revenues received for the activation of service are deferred and recognized over the average customer retention period.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(ii) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit.

(iii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to the award credits is estimated by reference to the fair value of the services to be provided with respect to the redeemable award credits. The fair value of the services to be provided with respect to the redeemable portion of the award credits granted to the customers in accordance with customer loyalty programmes is estimated taking into account the expected redemption rate and timing of the expected redemption. Considerations allocated to the award credits are deferred and revenue is recognized when the award credits are recovered and the Company performs its obligation to provide the service. The amount of revenue recognized is based on the relative size of the total award credits that are expected to be redeemed and the redeemed award credits in exchange for services.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(22) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures are recognized in profit or loss using the effective interest rate method.

(23) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable

future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

4. Significant Accounting Policies, Continued

(23) Income taxes, Continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if (a) there is a legally enforceable right to offset the related current tax liabilities and assets, (b) they relate to income taxes levied by the same tax authority and (c) they intend to settle current tax liabilities and assets on a net basis. Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

(24) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(25) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning on or after January 1, 2014, and the Company has not early adopted them.

As of December 31, 2014, management is not able to evaluate the impact, if any, of applying these standards on its financial position and results of operations.

- 1) K-IFRS 1019 Employee Benefits Employee contributions

Amendments to K-IFRS 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits. This amendment is effective for annual periods beginning on or after July 1, 2014, with early adoption permitted.

2) K-IFRS 1027 Separate Financial Statements

Amendments to K-IFRS 1027 introduced equity accounting as a third option in the entity's separate financial statements, in addition to the existing cost and equity method options. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

5. Restricted Deposits

Deposits which are restricted in use as of December 31, 2014 and 2013 are summarized as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Short-term financial instruments		
Charitable fund(*)	85,500	76,000
Long-term financial instruments		
Charitable fund(*)		7,500
Other	69	69
Guarantee deposits	280	40
	85,849	83,609

(*) The Company established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2014, the funds cannot be withdrawn.

6. Trade and Other Receivables

(1) Details of trade and other receivables as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014		
	Gross	Allowances	Carrying
	amount	for	amount
		impairment	
Current assets:			
Accounts receivable trade	1,665,941	(106,660)	1,559,281
Short-term loans	68,676	(687)	67,989
Accounts receivable other	366,821	(60,831)	305,990
Accrued income	6,354		6,354
	2,107,792	(168,178)	1,939,614
Non-current assets:			

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Long-term loans	60,130	(21,673)	38,457
Guarantee deposits	156,807		156,807
	216,937	(21,673)	195,264
	2,324,729	(189,851)	2,134,878

<i>(In millions of won)</i>	December 31, 2013		Carrying amount
	Gross Amount	Allowances for impairment	
Current assets:			
Accounts receivable trade	1,614,466	(101,328)	1,513,138
Short-term loans	72,928	(730)	72,198
Accounts receivable other	439,209	(50,734)	388,475
Accrued income	5,682		5,682
	2,132,285	(152,792)	1,979,493
Non-current assets:			
Long-term loans	61,613	(21,688)	39,925
Guarantee deposits	152,057		152,057
	213,670	(21,688)	191,982
	2,345,955	(174,480)	2,171,475

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

6. Trade and Other Receivables, Continued

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the years ended December 31, 2014 and 2013 were as follows:

<i>(In millions of won)</i>	2014	2013
Balance at January 1	174,480	153,337
Increase of bad debt allowances	43,186	52,835
Write-offs	(49,926)	(51,063)
Collection of receivables previously written-off	22,111	19,371
Balance at December 31	189,851	174,480

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014		December 31, 2013	
	Accounts receivable	Other receivables	Accounts receivable	Other receivables
	-		-	
Neither overdue nor impaired	1,182,627	553,014	1,169,946	622,679
Overdue but not impaired	47,663		32,705	
Impaired	435,651	105,774	411,815	108,810
	1,665,941	658,788	1,614,466	731,489
Allowances for doubtful accounts	(106,660)	(83,191)	(101,328)	(73,152)
	1,559,281	575,597	1,513,138	658,337

The Company establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period, past customer default experience, customer credit status, and economic and industrial factors.

- (4) The aging of overdue but not impaired accounts receivable as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Less than 1 month	12,045	9,549
1 ~ 3 months	15,222	6,975
3 ~ 6 months	8,591	2,565
More than 6 months	11,805	13,616
	47,663	32,705

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

7. Investment Securities

(1) Details of short-term investment securities as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Beneficiary certificates(*)	197,003	101,414
Current portion of long-term investment securities	158	628
	197,161	102,042

(*) The interest distributions arising from beneficiary certificates as of December 31, 2014, were accounted for as accrued income.

(2) Details of long-term available-for-sale financial assets as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Equity securities:		
Marketable equity securities	490,741	574,321
Unlisted equity securities(*1)	28,696	22,870
Equity investments(*2)	73,054	111,792
	592,491	708,983
Debt securities:		
Public bonds(*3)	158	356
Investment bonds(*4)	16,306	20,992
	16,464	21,348
Total	608,955	730,331
	(158)	(628)

Less current portion of long-term investment securities		
Long-term investment securities	608,797	729,703

(*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.

(*2) Equity investments are recorded at cost.

(*3) Details of maturity for the public bonds as of December 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Less than 1 year	158	356

(*4) During the year ended December 31, 2014, the Company exercised the conversion right for the convertible bonds of NanoEnTek, Inc., which were the Parent Company is able to exercise significant influence on NanoEnTek, Inc. classified as financial assets at fair value through profit or loss. As a result of this transaction, investments in associates have increased by 19,180 million and the difference between carrying amount of the financial assets at fair value and fair value of 1,352 million is accounted for as finance costs. In addition, during the year ended December 31, 2014, the Company classified the convertible bonds of IRIVER LIMITED, amounting to 7,817 million, as financial assets at fair value through profit or loss and the difference between carrying amount and fair value was accounted for as gain or loss relating to financial assets at fair value through profit or loss.

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

8. Non-current Assets Held for Sale

Non-current assets held for sale as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Investments in associates:		
TR Entertainment(*1)		2,611
SK Fans Co., Ltd.(*2)		1,056
		3,667

(*1) A disposal contract for the Company's entire ownership interests in TR Entertainment was entered into during the year ended December 31, 2013 and the investment in the associate was reclassified to assets classified held for sale and an impairment loss of 4,019 million was recognized. During the year ended December 31, 2014, the Company disposed of its investments in TR Entertainment.

(*2) During the year ended December 31, 2013, contract changes for SK Fans Co., Ltd. was made and the Company recognized the difference between the changes and the existing contractual amount as impairment loss. During the year ended December 31, 2014, the Company disposed of its investments in SK Fans Co., Ltd.

9. Investments in Subsidiaries and Associates

(1) Investments in subsidiaries and associates as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Investments in subsidiaries	3,614,750	3,453,988
Investments in associates	4,567,019	4,556,133
	8,181,769	8,010,121

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

9. Investments in Subsidiaries and Associates, Continued

(2) Details of investments in subsidiaries as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014			December 31,
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
SK Telink Co., Ltd.	1,082,272	83.5	144,740	144,740
SK Broadband Co., Ltd.	149,638,354	50.6	1,242,247	1,242,247
PS&Marketing Corporation(*1)	66,000,000	100.0	313,934	213,934
Service Ace Co., Ltd.	4,385,400	100.0	21,927	21,927
Service Top Co., Ltd.	2,856,200	100.0	14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0	15,000	15,000
SK Planet Co., Ltd.	72,927,317	100.0	1,538,020	1,538,020
Neosnetworks Co., Ltd.(*2)	31,310	66.7	23,968	
IRIVER LIMITED(*3)	15,202,039	49.0	54,503	
SK Telecom China Holdings Co., Ltd.		100.0	29,116	29,116
SKT Vietnam PTE. Ltd.	180,476,700	73.3	2,364	2,364
SKT Americas, Inc.(*4)	122	100.0	83,871	76,764
YTK Investment Ltd.(*5)		100.0	27,945	69,464
Atlas Investment(*4)		100.0	77,050	60,347
SK Global Healthcare Business Group Ltd.		100.0	25,784	25,784
			3,614,750	3,453,988

(*1) The Company participated in increasing paid-in capital and additionally obtained 20,000,000 shares.

(*2) During the year ended December 31, 2014, the Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Company entered into a shareholders' agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Company for those shares if certain conditions are met.

(*3) The Company newly acquired 10,241,722 shares of IRIVER LIMITED and additionally acquired 4,960,317 shares by participating in the capital increase during the year ended December 31, 2014.

(*4) The carrying amount increased due to additional investment during the year ended December 31, 2014.

(*5) For the year ended December 31, 2014, carrying amount in excess of the fair value less cost to sell of 41,519 million was recognized as impairment loss.

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Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

9. Investments in Subsidiaries and Associates, Continued

(3) Details of investments in associates as of December 31, 2014 and 2013 are as follows:

(In millions of won)	December 31, 2014		December 31, 2013	
	Number of shares	Ownership percentage (%)	Carrying amount	Carrying amount
SK China Company Ltd.(*1)	720,000	9.6	47,830	47,830
HappyNarae Co., Ltd.	680,000	42.5	12,250	12,250
Korea IT Fund(*2)	190	63.3	220,957	220,957
Wave City Development Co., Ltd.(*1)	382,000	19.1	1,532	1,532
KEB HanaCard Co., Ltd.(*3)	67,627,587	25.4	430,044	400,000
Daehan Kanggun BcN Co., Ltd.	1,675,126	29.0	8,340	8,340
NanoEnTek, Inc.(*4)	5,870,290	26.0	37,959	11,000
SK Industrial Development China Co., Ltd.	77,762,360	21.0	83,691	83,691
Packet One Network(*1,5)	2,265,944	13.6	60,706	60,706
SK Technology Innovation Company(*6)	14,700	49.0	45,864	85,873
SK hynix Inc.	146,100,000	20.1	3,374,725	3,374,725
SK MENA Investment B.V.	9,772,686	32.1	14,485	14,485
SK Latin America Investment S.A.	9,448,937	32.1	14,243	14,243
SKY Property Mgmt. Ltd.	12,639	33.0	145,656	145,656
SK Wyverns Baseball Club Co., Ltd. and others(*6)			68,737	74,845
			4,567,019	4,556,133

(*1) Classified as investments in associates because the Company can exercise significant influence over the associate through participation on the associate's board of directors.

(*2) Classified as an investment in associate because the Company has less than 50% of the voting rights of the board of directors.

(*3) During the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Company's associate, and KEB Card Co., Ltd., the Company exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the surviving company, KEB HanaCard Co., Ltd.

(*4)

The number of shares increased by 2,812,374 and 1,250,786, respectively, due to a conversion of convertible bond and the additional investment during the year ended December 31, 2014.

(*5) The ownership percentage decreased due to unequal increase in paid-in capital during the year ended December 31, 2014.

(*6) During the year ended December 31, 2014, the difference between the recoverable amount and carrying amount of shares of SK Technology Innovation Company and Gemini, amounting to 46,116 million, was recognized as impairment loss.

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9. Investments in Subsidiaries and Associates, Continued

(4) The market price of investments in listed subsidiaries as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won, except for share data)</i>	December 31, 2014			December 31, 2013		
	Market value per share (In won)	Number of shares	Market price	Market value per share (In won)	Number of shares	Market price
IRIVER LIMITED	6,370	15,202,039	96,837			
SK Broadband Co., Ltd.	4,380	149,638,354	655,416	4,375	149,638,354	654,668

10. Property and Equipment

(1) Property and equipment as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	448,255		448,255
Buildings	1,033,307	(464,433)	568,874
Structures	735,507	(384,592)	350,915
Machinery	20,502,955	(15,225,026)	5,277,929
Other	1,213,336	(782,858)	430,478
Construction in progress	629,455		629,455
	24,562,815	(16,856,909)	7,705,906

<i>(In millions of won)</i>	December 31, 2013		
	Acquisition cost	Accumulated depreciation	Carrying amount

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Land	416,991		416,991
Buildings	1,015,619	(430,244)	585,375
Structures	714,814	(351,721)	363,093
Machinery	18,807,106	(13,862,018)	4,945,088
Other	1,223,845	(751,013)	472,832
Construction in progress	676,607		676,607
	22,854,982	(15,394,996)	7,459,986

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10. Property and Equipment, Continued

(2) Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	416,991	7,502	(12)	23,774		448,255
Buildings	585,375	1,722	(135)	16,311	(34,399)	568,874
Structures	363,093	8,908	(39)	11,843	(32,890)	350,915
Machinery	4,945,088	208,645	(19,955)	1,724,311	(1,580,160)	5,277,929
Other	472,832	1,093,655	(4,074)	(1,025,891)	(106,044)	430,478
Construction in progress	676,607	776,239	(14,922)	(808,469)		629,455
	7,459,986	2,096,671	(39,137)	(58,121)	(1,753,493)	7,705,906

<i>(In millions of won)</i>	2013					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	395,968	6,865	(21)	14,179		416,991
Buildings	607,973	729	(139)	11,045	(34,233)	585,375
Structures	363,364	17,779	(18)	15,315	(33,347)	363,093
Machinery	4,532,811	205,190	(6,250)	1,735,502	(1,522,165)	4,945,088
Other	579,448	1,162,131	(3,491)	(1,157,528)	(107,728)	472,832
Construction in progress	639,526	841,444	(25,105)	(779,258)		676,607
	7,119,090	2,234,138	(35,024)	(160,745)	(1,697,473)	7,459,986

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11. Goodwill

Goodwill as of December 31, 2014 and 2013 is as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Goodwill related to acquisition of Shinsegi Telecom, Inc.	1,306,236	1,306,236

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.2% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 1.8% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Company's long-term wireless business growth. Management of the Company does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

12. Intangible Assets

(1) Intangible assets as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014			Carrying amount
	Acquisition cost	Accumulated depreciation	Accumulated impairment	
Frequency use rights	3,033,879	(1,649,835)		1,384,044
Land use rights	43,192	(29,176)		14,016
Industrial rights	37,770	(27,187)		10,583
Development costs	99,215	(99,215)		
Facility usage rights	45,636	(29,793)		15,843
Memberships(*1)	81,955		(18,490)	63,465
Other(*2)	1,840,574	(1,400,356)		440,218
	5,182,221	(3,235,562)	(18,490)	1,928,169

2013

<i>(In millions of won)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Frequency use rights	3,033,879	(1,369,308)	1,664,571
Land use rights	34,755	(25,003)	9,752
Industrial rights	32,860	(23,747)	9,113
Development costs	101,957	(101,957)	
Facility usage rights	43,461	(27,306)	16,155
Memberships(*1)	82,815		82,815
Other(*2)	1,702,751	(1,245,990)	456,761
	5,032,478	(2,793,311)	2,239,167

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For the years ended December 31, 2014 and 2013

12. Intangible Assets, Continued

(1) Intangible assets as of December 31, 2014 and 2013 are as follows, Continued:

(*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(*2) Other intangible assets primarily consist of computer software and usage rights to a research facility which the Company built and donated to a university and the Company is given rights-to-use for a definite number of years.

(2) Details of changes in intangible assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment loss	
Frequency use rights	1,664,571				(280,527)		1,384,044
Land use rights	9,752	8,737			(4,473)		14,016
Industrial rights	9,113	4,959	(2)		(3,487)		10,583
Facility usage rights	16,155	1,890	(30)	382	(2,554)		15,843
Memberships(*)	82,815		(860)			(18,490)	63,465
Other	456,761	75,474	(592)	72,760	(164,185)		440,218
	2,239,167	91,060	(1,484)	73,142	(455,226)	(18,490)	1,928,169

(*) The Company recognized the difference between recoverable amount and the carrying amount of memberships, amounting to 18,490 million as impairment loss for the year ended December 31, 2014.

<i>(In millions of won)</i>	2013						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization		
Frequency use rights(*)	1,693,868	1,046,833	(814,213)		(261,917)		1,664,571
Land use rights	9,815	4,275	(51)		(4,287)		9,752
Industrial rights	9,769	1,910	(74)		(2,492)		9,113

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Development costs	665				(665)	
Facility usage rights	16,786	1,930	(75)	9	(2,495)	16,155
Memberships	81,518	2,131	(834)			82,815
Other	375,451	53,599	(184)	174,086	(146,191)	456,761
	2,187,872	1,110,678	(815,431)	174,095	(418,047)	2,239,167

(*) The Company newly acquired 1.8GHz frequency use rights through auction during the year ended December 31, 2013 and returned the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Company recognized 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

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For the years ended December 31, 2014 and 2013

12. Intangible Assets, Continued

- (3) Research and development expenditure recognized as expense for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Research and development costs expensed as incurred	240,562	231,767

- (4) The carrying amount and residual useful lives of frequency usage rights as of December 31, 2014 are as follows, all of which are depreciated on a straight-line basis:

<i>(In millions of won)</i>	Amount	Description	Commencement of amortization	Completion of amortization
W-CDMA license	198,542	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	32,622	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	263,536	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	879,340	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	10,004	WiBro service	Mar. 2012	Mar. 2019
	1,384,044			

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13. Borrowings and Debentures

(1) Short-term borrowings as of December 31, 2014 and 2013 are as follows:

(In millions of won and thousands of U.S. dollars)

Lender	Annual interest rate (%)	Maturity	December 31, 2014	December 31, 2013
Kookmin Bank	3.48	Jan. 3, 2014		60,000
Korea Development Bank	2.48	Apr. 30, 2015	100,000	
CP	3.09	Jan. 3, 2014		100,000
	3.09	Jan. 6, 2014		100,000
	2.37	Jan. 15, 2015	100,000	
			200,000	260,000

(2) Long-term borrowings as of December 31, 2014 and 2013 are as follows:

(In millions of won and thousands of U.S. dollars)

Lender	Annual interest rate (%)	Maturity	December 31, 2014	December 31, 2013
Export Kreditnamnden(*)			94,903	99,975
	1.70	Apr. 29, 2022	(USD 86,338)	(USD 94,736)
			94,903	99,975
Less present value discount on long-term borrowings			(2,623)	(3,287)
			92,280	96,688
Less current portion of long-term borrowings			(12,133)	(11,563)
			80,147	85,125

- (*) For the years ended December 31, 2014 and 2013, the Company obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installments on an annual basis from 2014 to 2022.

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13. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows:

(In millions of won, thousands of U.S. dollars, and thousands of

<i>other currencies)</i>	Purpose	Maturity	Annual interest rate (%)	December 31, 2014	December 31, 2013
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2014	5.00		200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and refinancing fund	2019	3.24	170,000	170,000
Unsecured private bonds		2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	
Unsecured private bonds		2024	3.64	150,000	
Unsecured private bonds(*3)		2029	4.73	55,188	
Unsecured private bonds(*3)		2029	4.72	55,177	
Unsecured private bonds	Refinancing fund	2019	2.53	160,000	
Unsecured private bonds		2021	2.66	150,000	
Unsecured private bonds		2024	2.82	190,000	
Foreign global bonds	Operating fund	2027	6.63	439,680	422,120
				(USD 400,000)	(USD 400,000)
Exchangeable bonds (*2)	Refinancing fund	2014	1.75		96,147
					(USD 91,109)
Floating rate notes (*1)	Operating fund	2014	3M Libor + 1.60		263,825
					(USD 250,000)
Floating rate notes		2014	SOR rate + 1.20		54,129
					(SGD 65,000)

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Swiss unsecured private bonds	2017	1.75	333,429	356,601
			(CHF 300,000)	(CHF 300,000)
Foreign global bonds	2018	2.13	769,440	738,710
			(USD 700,000)	(USD 700,000)
Australian unsecured private bonds	2017	4.75	269,727	281,988
			(AUD 300,000)	(AUD 300,000)
Floating rate notes (*1)	2020	3M Libor + 0.88	329,760	316,590
			(USD 300,000)	(USD 300,000)
			4,882,401	4,660,110
Less discounts on bonds			(27,534)	(34,193)
			4,854,867	4,625,917
Less current portion of bonds			(199,730)	(611,140)
			4,655,137	4,014,777

(*1) As of December 31, 2014, 3M Libor rate is 0.23%.

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For the years ended December 31, 2014 and 2013

13. Borrowings and Debentures, Continued

(3) Debentures as of December 31, 2014 and 2013 are as follows, Continued:

(*2) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%.

The Company may redeem the principal amount after three years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014.

Exchanges of notes for common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Company will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

As of December 31, 2013, the principal amount and the fair value of the remaining exchangeable bonds were USD 57,046,000 and USD 91,108,508, respectively. Exchange for the remaining entire bonds was claimed during 2013 and redeemed by cash during the year ended December 31, 2014.

(*3) The Company settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by appointing the structured bonds as designated financial liabilities at fair value through profit or loss.

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 10,365 million as of December 31, 2014.

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14. Long-term Payables Other

- (1) As of December 31, 2014 and 2013, long-term payables other consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHz, 2.3GHz and 1.8GHz frequencies as follows (See Note 12):

<i>(In millions of won)</i>	Period of repayment	Coupon rate	Annual effective interest rate(*)	December 31, 2014	December 31, 2013
2.1GHz	2012~2014	3.58%	5.89%		17,533
800MHz	2013~2015	3.51%	5.69%	69,416	138,833
2.3GHz	2014~2016	3.00%	5.80%	5,766	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	824,841	942,675
				900,023	1,107,691
Present value discount on long-term payables other				(53,633)	(72,170)
				846,390	1,035,521
Less current portion of long-term payables other				(190,134)	(207,668)
Current portion of present value discount on long-term payables other				745	868
Carrying amount at December 31				657,001	828,721

- (*) The Company estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables-other.

- (2) The repayment schedule of long-term payables other related to acquisition of W-CDMA licenses as of December 31, 2014 is as follows:

<i>(In millions of won)</i>	Amount
Less than 1 year	190,134
1~3 years	238,552
3~5 years	235,669
More than 5 years	235,668
	900,023

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15. Provisions

Change in provisions for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	For the year ended December 31, 2014				As of December 31, 2014	
	Beginning balance	Increase	Utilization	Ending balance	Current	Non-current
Provision for handset Subsidy(*1)	53,923	41,802	(68,926)	26,799	14,844	11,955
Provision for restoration(*2)	32,173	19,699	(539)	51,333	35,612	15,721
	86,096	61,501	(69,465)	78,132	50,456	27,676

<i>(In millions of won)</i>	For the year ended December 31, 2013					As of December 31, 2013	
	Beginning balance	Increase	Utilization	Reversal	Ending balance	Current	Non-current
Provision for handset subsidy(*1)	353,383	9,416	(308,876)		53,923	53,334	589
Provision for restoration(*2)	32,791	3,761	(406)	(3,973)	32,173	13,225	18,948
	386,174	13,177	(309,282)	(3,973)	86,096	66,559	19,537

(*1) The Company has provided handset subsidy to subscribers who purchase handsets on an installment basis and recognized a provision for subsidy amounts which the Company is expected to pay in future periods.

(*2) In the course of the Company's activities, base station and other assets are utilized on leased premises which are expected to have costs associated with restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements. The Company records these restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

- (2) The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

	Key assumptions
Provision for handset subsidy	estimation based on historical service retention period data
Provision for restoration	estimation based on inflation assuming demolition of the relevant assets after six years

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16. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Present value of defined benefit obligations	195,130	154,460
Fair value of plan assets	(179,575)	(131,574)
	15,555	22,886

(2) Principal actuarial assumptions as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Discount rate for defined benefit obligations	2.91%	3.96%
Expected rate of salary increase	3.80%	4.32%

Discount rate for defined benefit obligations is determined based on the Company's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligations. Expected rate of salary increase is determined based on the Company's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

(3) Changes in defined benefit obligations for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	For the year ended December 31	
	2014	2013
Beginning balance	154,460	133,098
Current service cost	33,457	33,920
Interest cost	6,415	4,977
Remeasurement		
- Demographic assumption		(981)

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- Financial assumption	8,231	(9,099)
- Adjustment based on experience	11,500	3,837
Benefit paid	(21,887)	(15,566)
Others(*)	2,954	4,274
Ending balance	195,130	154,460

(*) Others for the years ended December 31, 2014 and 2013 include transfer to construction in progress and liabilities succeeded in relation to transfer of executives from affiliates.

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16. Defined Benefit Liabilities, Continued

(4) Changes in plan assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Beginning balance	131,574	98,147
Interest income	5,302	3,535
Actuarial gain	1,514	1,578
Contributions to the plan	48,500	34,000
Benefit paid	(7,315)	(5,748)
Others		62
Ending balance	179,575	131,574

The Company expects to make a contribution of 41,725 million to the defined benefit plans during the next financial year.

(5) Expenses recognized in profit and loss (included in labor cost in the accompanying statements of income) and capitalized into construction-in-progress for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Current service cost	33,457	33,920
Net Interest cost	1,113	1,442
	34,570	35,362

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

(6) Details of plan assets as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
-----------------------------	--------------------------	--------------------------

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Equity instruments	951	405
Debt instruments	52,614	33,320
Short-term financial instruments, etc.	126,010	97,849
	179,575	131,574

Actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to 6,816 million and 5,113 million, respectively.

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16. Defined Benefit Liabilities, Continued

- (7) As of December 31, 2014, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

<i>(In millions of won)</i>	Increase	Decrease
Discount rate (if changed by 0.5%)	(7,253)	7,786
Expected salary increase rate (if changed by 0.5%)	7,857	(7,383)

The sensitivity analysis does not consider dispersion of all cash flows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

Weighted average durations of defined benefit obligations as of December 31, 2014 and 2013 are 8.42 years and 8.49 years, respectively.

17. Derivative Instruments

- (1) Currency swap contracts under cash flow hedge accounting as of December 31, 2014 are as follows:

*(In thousands of foreign currencies)***Borrowing**

date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	Foreign currency risk	Currency swap	Citibank and five other banks	Jun. 12, 2012 ~ Jun. 12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	Foreign currency risk	Currency swap	Barclays and nine other banks	Nov. 1, 2012 ~ May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	Foreign currency risk	Currency swap	BNP Paribas and three other banks	Jan. 17, 2013 ~ Nov. 17, 2017

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Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020
Dec. 16, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of USD 86,338)	Foreign currency risk	Currency swap	Deutsche bank	Dec.16, 2013 ~ Apr. 29, 2022

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17. Derivative Instruments, Continued

- (2) As of December 31, 2014, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

<i>(In millions of won and thousands of foreign currencies)</i>	Accumulated gain (loss) on valuation of derivatives	Fair value Cash flow hedge			Held for trading purpose	Total
		Tax effect	Accumulated foreign currency translations (gain) loss	Others (*)		
Hedged item						
Non-current assets:						
Structured bond (face value of KRW 100,000)				8,713		8,713
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	(40,360)	(12,886)	(17,545)	129,806		59,015
Total assets						67,728
Non-current liabilities:						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	(8,725)	(2,786)	(29,993)			(41,504)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	(22,903)	(7,312)	6,058			(24,157)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	2,588	826	(65,496)			(62,082)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	(4,369)	(1,395)	4,668			(1,096)
Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 86,388)	(4,439)	(1,417)	3,806			(2,050)

Total liabilities

(130,889)

(*) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

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18. Share Capital and Capital Surplus and Other Capital Adjustments

The Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won, except for share data)</i>	December 31, 2014	December 31, 2013
Authorized shares	220,000,000	220,000,000
Issued shares(*)	80,745,711	80,745,711
Share capital		
Common stock	44,639	44,639
Capital surplus and other capital adjustments:		
Paid-in surplus	2,915,887	2,915,887
Treasury stock (Note 19)	(2,139,683)	(2,139,683)
Loss on disposal of treasury stock	(18,087)	(18,087)
Hybrid bond (Note 20)	398,518	398,518
Others	(722,741)	(722,741)
	433,894	433,894

(*) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for the year ended December 31, 2014 and 2013.

Changes in number of shares outstanding for the years ended December 31, 2014 and 2013 are as follows:

<i>(In shares)</i>	2014			2013		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Beginning issued shares	80,745,711	9,809,375	70,936,336	80,745,711	11,050,712	69,694,999
Disposal of treasury stock					(1,241,337)	1,241,337

Ending issued shares	80,745,711	9,809,375	70,936,336	80,745,711	9,809,375	70,936,336
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For the years ended December 31, 2014 and 2013

19. Treasury Stock

The Company acquired treasury stock to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed. Treasury stock as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won, shares)</i>	December 31, 2014	December 31, 2013
Number of shares	9,809,375	9,809,375
Amount	2,139,683	2,139,683

20. Hybrid Bonds

Hybrid bonds classified as equity as of December 31, 2014 is as follows:

<i>(In millions of won)</i>	Type	Issuance date	Maturity	Annual interest rate (%)	Amount
Private hybrid bonds	Blank coupon unguaranteed subordinated bond	June 7, 2013	June 7, 2073(*1)	4.21(*2)	400,000
Issuance costs					(1,482)
					398,518

Hybrid bonds issued by the Company are classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders. These are subordinated bonds which rank before common shareholders in the event of a liquidation or reorganization of the Company.

(*1) The Company has a right to extend the maturity under the same issuance terms without any notice or announcement. The Company also has the right to defer interest payment at its sole discretion.

(*2) Annual interest rate is adjusted after five years from the issuance date.

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21. Retained Earnings

(1) Retained earnings as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Appropriated:		
Legal reserve	22,320	22,320
Reserve for research & manpower development	151,534	155,767
Reserve for business expansion	9,476,138	9,376,138
Reserve for technology development	2,416,300	2,271,300
	12,066,292	11,825,525
Unappropriated	930,498	840,174
	12,996,790	12,665,699

(2) Legal reserve

The Korean Commercial Act requires the Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

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22. Statements of Appropriation of Retained Earnings

Details of appropriations of retained earnings for the years ended December 31, 2014 and 2013 are as follows:

Date of appropriation for 2014: March 20, 2015

Date of appropriation for 2013: March 21, 2014

<i>(In millions of won)</i>	2014	2013
Unappropriated retained earnings:		
Unappropriated retained earnings	3,542	3,018
Remeasurement of defined benefit liabilities	(13,808)	5,927
Interim dividends - 1,000 per share, 200% on par value	(70,937)	(70,508)
Interest on hybrid bond	(16,840)	(8,420)
Profit	1,028,541	910,157
	930,498	840,174
Transfer from voluntary reserves:		
Reserve for research and manpower development	64,233	64,233
Appropriation of retained earnings:		
Reserve for research and manpower development		60,000
Reserve for business expansion	195,000	100,000
Reserve for technology development	200,000	145,000
Cash dividends 8,400 per share, 1,680% on par value	595,865	595,865
	990,865	900,865
Unappropriated retained earnings to be carried over to subsequent year	3,866	3,542

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For the years ended December 31, 2014 and 2013

23. Reserves

(1) Details of reserves, net of taxes, as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Unrealized fair value of available-for-sale financial assets	145,106	211,209
Unrealized fair value of derivatives	(78,208)	(40,033)
	66,898	171,176

(2) Changes in reserves for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014		Total
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	
Balance at January 1, 2014	211,209	(40,033)	171,176
Changes	(87,207)	(50,363)	(137,570)
Tax effect	21,104	12,188	33,292
Balance at December 31, 2014	145,106	(78,208)	66,898

<i>(In millions of won)</i>	2013		Total
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	

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Balance at January 1, 2013	206,414	(51,826)	154,588
Changes	6,326	15,058	21,384
Tax effect	(1,531)	(3,265)	(4,796)
Balance at December 31, 2013	211,209	(40,033)	171,176

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For the years ended December 31, 2014 and 2013

23. Reserves, Continued

- (3) Details of change in unrealized fair value of available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2014	278,640	(67,431)	211,209
Amount recognized as other comprehensive income during the year	(77,367)	18,723	(58,644)
Amount reclassified to profit or loss	(9,840)	2,381	(7,459)
Balance at December 31, 2014	191,433	(46,327)	145,106
<i>(In millions of won)</i>	2013		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2013	272,314	(65,900)	206,414
Amount recognized as other comprehensive income during the year	6,326	(1,531)	4,795
Balance at December 31, 2013	278,640	(67,431)	211,209

- (4) Details of change in unrealized fair value of derivatives for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2014	(52,814)	12,781	(40,033)
Amount recognized as other comprehensive income during the year	(42,608)	10,311	(32,297)
Amount reclassified to profit or loss	(7,755)	1,877	(5,878)
Balance at December 31, 2014	(103,177)	24,969	(78,208)

<i>(In millions of won)</i>	Before taxes	2013 Income tax effect	After taxes
Balance at January 1, 2013	(67,871)	16,045	(51,826)
Amount recognized as other comprehensive income during the year	12,404	(3,002)	9,402
Amount reclassified to profit or loss	2,654	(263)	2,391
Balance at December 31, 2013	(52,813)	12,780	(40,033)

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24. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Other Operating Expenses:		
Communication expenses	42,055	49,789
Utilities	182,790	168,073
Taxes and dues	21,500	19,184
Repair	202,824	191,489
Research and development	240,562	231,767
Training	31,768	27,847
Bad debt for accounts receivables trade	27,313	32,051
Other	60,989	48,743
	809,801	768,943

25. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Other Non-operating Income:		
Gain on disposal of property and equipment and intangible assets	3,676	1,869
Others(*1)	33,746	45,749
	37,422	47,618
Other Non-operating Expenses:		
Loss on disposal of property and equipment and intangible assets	17,493	233,611
Impairment loss on property and equipment, and intangible assets	18,490	
Donations	67,130	59,820
Bad debt for accounts receivable other	15,873	20,784
Others(*2)	65,191	103,037
	184,177	417,252

(*1) Others for the year ended December 31, 2014 primarily consists of VAT refund.

(*2) Others for the year ended December 31, 2014 and 2013 primarily consists of penalties.

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For the years ended December 31, 2014 and 2013

26. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Finance Income:		
Interest income	25,015	32,265
Dividends	13,048	20,640
Gain on foreign currency transactions	13,505	9,260
Gain on foreign currency translations	1,373	699
Gain relating to financial assets at fair value through profit or loss	2,817	5,177
Gain on disposal of long-term investment securities	9,807	5,439
Gain on valuation of derivatives	8,713	
Gain on settlement of derivatives	7,998	7,716
	82,276	81,196

<i>(In millions of won)</i>	2014	2013
Finance Costs:		
Interest expense	265,195	274,190
Loss on foreign currency transactions	15,526	13,607
Loss on foreign currency translations	167	662
Loss on disposal of long-term investment securities	57	73
Loss on settlement of derivatives	672	
Loss relating to financial assets at fair value through profit or loss	1,352	
Loss relating to financial liabilities at fair value through profit or loss(*)	10,369	134,232
	293,338	422,764

(*) Loss relating to financial liability at fair value through profit or loss for the year ended December 31, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD 326,397,463) as a result of increase in stock price of the Company and increase in foreign exchange rate, and 2) loss on repayment of

debentures upon the claim for exchange.

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For the years ended December 31, 2014 and 2013

26. Finance Income and Costs, Continued

- (2) Details of interest income included in finance income for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Interest income on cash equivalents and deposits	12,428	18,677
Interest income on installment receivables and others	12,587	13,588
	25,015	32,265

- (3) Details of interest expense included in finance costs for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Interest expense on bank overdrafts and borrowings	20,030	22,786
Interest expense on debentures	198,317	211,124
Others	46,848	40,280
	265,195	274,190

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26. Finance Income and Costs, Continued

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2014 and 2013 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in Note 6.

- (i) Finance income and costs

<i>(In millions of won)</i>	2014		2013	
	Finance income	Finance costs	Finance income	Finance costs
Financial Assets:				
Financial asset at fair value through profit or loss	11,530	1,352	5,177	
Available-for-sale financial assets	23,981	57	27,061	73
Loans and receivables	35,377	15,682	40,502	14,219
Derivative designated as hedging instrument	7,998	672	7,716	
Sub-total	78,886	17,763	80,456	14,292
Financial Liabilities:				
Financial liability at fair value through profit or loss		10,369		134,232
Financial liability measured as amortised cost	3,390	265,206	740	274,240
Sub-total	3,390	275,575	740	408,472
Total	82,276	293,338	81,196	422,764

- (ii) Other comprehensive income (loss)

<i>(In millions of won)</i>	2014	2013
Financial Assets:		
Available-for-sale financial assets	(66,103)	4,795
Derivative designated as hedging instrument	(16,374)	12,810

Sub-total	(82,477)	17,605
Financial Liabilities:		
Derivative designated as hedging instrument	(21,801)	(1,017)
Sub-total	(21,801)	(1,017)
Total	(104,278)	16,588

- (5) Details of impairment losses for financial assets for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Bad debt for accounts receivable - trade	27,313	32,051
Bad debt for accounts receivable - other	15,873	20,784
	43,186	52,835

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27. Income Tax Expense

- (1) Income tax expenses for the years ended December 31, 2014 and 2013 consist of the following:

<i>(In millions of won)</i>	2014	2013
Current tax expense		
Current tax payable	169,456	173,915
Adjustments recognized in the period for current tax of prior periods	(14,223)	(24,665)
	155,233	149,250
Deferred tax expense		
Changes in net deferred tax assets	100,275	168,324
Tax directly charged to equity	37,701	(6,934)
	137,976	161,390
Income tax for continuing operation	293,209	310,640

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2014 and 2013 is attributable to the following:

<i>(In millions of won)</i>	2014	2013
Income taxes at statutory income tax rate	319,401	294,971
Non-taxable income	(33,653)	(34,067)
Non-deductible expenses	60,082	65,717
Tax credit and tax reduction	(33,581)	(36,290)
Changes in unrealizable deferred taxes	21,982	52,346
Others (income tax refund, etc.)	(41,022)	(32,037)
Income tax for continuing operation	293,209	310,640

- (3)

Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Net change in fair value of available-for-sale financial assets	21,104	(1,531)
Gain or loss on valuation of derivatives	12,188	(3,265)
Remeasurement of defined benefit liabilities	4,409	(1,893)
Loss on disposal of treasury stock		(245)
	37,701	(6,934)

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For the years ended December 31, 2014 and 2013

27. Income Tax Expense, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	Beginning	2014 Deferred tax expense (benefit)	Directly added to (deducted from) equity	Ending
Deferred tax assets (liabilities) related to temporary differences				
Allowance for doubtful accounts	43,352	3,320		46,672
Accrued interest income	(1,375)	(163)		(1,538)
Available-for-sale financial assets	(9,725)	(336)	21,104	11,043
Investments in subsidiaries and associates	85,298	(16,246)		69,052
Property and equipment (depreciation)	(308,657)	(35,831)		(344,488)
Provisions	13,049	(6,564)		6,485
Retirement benefit obligation	7,906	(2,929)	4,409	9,386
Gain or loss on valuation of derivatives	12,781		12,188	24,969
Gain or loss on foreign currency translation	19,580	(253)		19,327
Tax free reserve for research and manpower development	(30,064)	30,064		
Goodwill relevant to leased line	31,025	(26,592)		4,433
Unearned revenue (activation fees)	53,412	(27,435)		25,977
Others	38,817	(55,011)		(16,194)
	(44,601)	(137,976)	37,701	(144,876)

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For the years ended December 31, 2014 and 2013

27. Income Tax Expense, Continued

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013 are as follows, Continued:

<i>(In millions of won)</i>	Beginning	2013 Deferred tax expense (benefit)	2013 Directly added to (deducted from) equity	Ending
Deferred tax assets (liabilities) related to temporary differences				
Allowance for doubtful accounts	36,945	6,407		43,352
Accrued interest income	(1,004)	(371)		(1,375)
Available-for-sale financial assets	12,156	(20,350)	(1,531)	(9,725)
Investments in subsidiaries and associates	81,416	3,882		85,298
Property and equipment (depreciation)	(235,440)	(73,217)		(308,657)
Provisions	85,519	(72,470)		13,049
Retirement benefit obligation	9,573	226	(1,893)	7,906
Gain or loss on valuation of derivatives	16,046		(3,265)	12,781
Gain or loss on foreign currency translation	19,706	(126)		19,580
Tax free reserve for research and manpower development	(31,089)	1,025		(30,064)
Goodwill relevant to leased line	68,675	(37,650)		31,025
Unearned revenue (activation fees)	97,110	(43,698)		53,412
Others	(35,890)	74,952	(245)	38,817
	123,723	(161,390)	(6,934)	(44,601)

- (5) Details of temporary differences not recognized as deferred tax assets in the statements of financial position as of December 31, 2014 and 2013 are as follows:

*(In millions of won)***December 31, 2014****December 31, 2013**

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Allowance for doubtful accounts	77,405	77,405
Investments in subsidiaries and associates	717,455	626,620
Other temporary differences	51,150	51,150
	846,010	755,175

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28. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In millions of won, shares)</i>	2014	2013
Profit for the year	1,028,541	910,157
Interest on hybrid bond	(16,840)	(8,420)
Profit for the year on common shares	1,011,701	901,737
Weighted average number of common shares outstanding	70,936,336	70,247,592
Basic earnings per share (In won)	14,262	12,837

- 2) The weighted average number of common shares outstanding for the years ended December 31, 2014 and 2013 are calculated as follows:

<i>(In millions of won, shares)</i>	2014	2013
Outstanding common shares at January 1, 2014	80,745,711	80,745,711
Effect of treasury stock	(9,809,375)	(10,498,119)
Weighted average number of common shares outstanding at December 31, 2014	70,936,336	70,247,592

(2) Diluted earnings per share

For the year ended December 31, 2014, there were no potentially dilutive shares. The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the year ended December 31, 2013 as effect of exchangeable bond would have been anti-dilutive (diluted shares of 688,744). Therefore, diluted earnings per share for the years ended December 31, 2014 and 2013 are the same as basic earnings per share.

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29. Dividends

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won, except for face value and share data)

Year	Dividend type	Number of shares outstanding	Face value (In won)	Dividend ratio	Dividends
	Cash dividends (Interim)	70,936,336	500	200%	70,937
2014	Cash dividends (Year-end)	70,936,336	500	1,680%	595,865
					666,802
	Cash dividends (Interim)	70,508,482	500	200%	70,508
2013	Cash dividends (Year-end)	70,936,336	500	1,680%	595,865
					666,373

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

Year	Dividends calculated	Profit	Dividends payout ratio
2014	666,802	1,028,541	64.83%
2013	666,373	910,157	73.22%

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2014 and 2013 are as follows:

<i>(In won)</i> Year	Dividend type	Dividend per share	Closing price at settlement	Dividend yield ratio
2014	Cash dividends	9,400	268,000	3.51%
2013	Cash dividends	9,400	230,000	4.09%

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For the years ended December 31, 2014 and 2013

30. Categories of Financial Instruments

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows:

	December 31, 2014				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
<i>(In millions of won)</i>					
Cash and cash equivalents			248,311		248,311
Financial instruments			143,069		143,069
Short-term investment securities		197,161			197,161
Long-term investment securities(*1)	7,817	600,980			608,797
Accounts receivable - trade			1,559,281		1,559,281
Loans and other receivables(*2)			575,597		575,597
Derivative financial assets	8,713			59,015	67,728
	16,530	798,141	2,526,258	59,015	3,399,944

	December 31, 2013				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
<i>(In millions of won)</i>					
Cash and cash equivalents			448,459		448,459
Financial instruments			173,569		173,569
Short-term investment securities		102,042			102,042
Long-term investment securities(*1)	20,532	709,171			729,703
Accounts receivable - trade			1,513,138		1,513,138

Loans and other receivables(*2)			658,337		658,337
Derivative financial assets				41,712	41,712
	20,532	811,213	2,793,503	41,712	3,666,960

(*1) Long-term investment securities were designated as financial assets at fair value through profit of loss since the embedded derivative (conversion right option), which should be separated from the host contract, could not be separately measured.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

30. Categories of Financial Instruments, Continued

(1) Financial assets by categories as of December 31, 2014 and 2013 are as follows, Continued:

(*2) Details of loans and other receivables as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Short-term loans	67,989	72,198
Accounts receivable other	305,990	388,475
Accrued income	6,354	5,682
Long-term loans	38,457	39,925
Guarantee deposits	156,807	152,057
	575,597	658,337

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	
Derivative financial liabilities			130,889	130,889
Borrowings		292,280		292,280
Debentures (*1)	110,365	4,744,502		4,854,867
Accounts payable other and others (*3)		2,582,608		2,582,608
	110,365	7,619,390	130,889	7,860,644

December 31, 2013

<i>(In millions of won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
Derivative financial liabilities			121,380	121,380
Borrowings		356,688		356,688
Debentures (*2)	96,147	4,529,770		4,625,917
Accounts payable other and others (*3)		3,279,604		3,279,604
	96,147	8,166,062	121,380	8,383,589

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

30. Categories of Financial Instruments, Continued

(2) Financial liabilities by categories as of December 31, 2014 and 2013 are as follows, Continued:

- (*1) Bonds classified as financial liabilities at fair value through profit or loss as of December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.
- (*2) The entire amount of debentures was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.
- (*3) Details of accounts payable and other payables as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	December 31, 2014	December 31, 2013
Accounts payable other	1,086,485	1,556,201
Withholdings	3	3
Accrued expenses	615,488	653,742
Current portion of long-term payables - other	189,389	206,800
Long-term payables other	657,001	828,721
Other non-current liabilities	34,242	34,137
	2,582,608	3,279,604

31. Financial Risk Management

(1) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. Market risk is the risk related to the changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, available-for-sale financial assets, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

1) Market risk

(i) Currency risk

The Company is exposed to currency risk mainly on exchange fluctuations on recognized assets and liabilities. The Company manages currency risk by currency forward, etc. if needed to hedge currency risk on business transactions. Currency risk occurs on forecasted transaction and recognized assets and liabilities which are denominated in a currency other than the functional currency of the Company.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of December 31, 2014 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	38,129	41,796	1,473,929	1,620,130
EUR	5,139	6,898	2,049	2,738
JPY	28,299	260		
SGD	79	66		
AUD			298,536	268,411
CHF			298,956	332,269
Other	77	97	636	122
		49,117		2,223,670

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 17)

As of December 31, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	If increased by 10%	If decreased by 10%
USD	3,651	(3,651)
EUR	380	(380)
JPY	26	(26)
Others	5	(5)
	4,062	(4,062)

(ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2014, available-for-sale equity instruments measured at fair value amounts to 586,675 million.

(iii) Interest rate risk

Since the Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company still has interest rate risk arising from borrowings and debentures.

Accordingly, the Company performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

The Company's interest rate risk arises from floating-rate borrowings and payables. As of December 31, 2014, floating-rate debentures amount to 329,760 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (See Note 17). If interest rate only increases (decreases) by 1%, income before income taxes for the year ended December 31, 2014 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Cash and cash equivalents	248,281	448,429
Financial instruments	143,069	173,569
Available-for-sale financial assets	8,648	816
Accounts receivable - trade	1,559,281	1,513,138
Loans and receivables	575,597	658,337
Derivative financial assets	67,728	41,712
Financial assets at fair value through profit or loss	7,817	20,532
	2,610,421	2,856,533

To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Company establishes credit limits for each customer or counterparty.

For the year ended December 31, 2014, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of December 31, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 26.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities.

Contractual maturities of financial liabilities as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Borrowings(*1)	292,280	310,143	215,189	55,408	39,546
Debentures (*1)	4,854,867	6,016,374	363,383	2,989,699	2,663,292
Accounts payable other and others (*2)	2,582,608	2,636,293	1,823,097	567,673	245,523
	7,729,755	8,962,810	2,401,669	3,612,780	2,948,361

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at different amounts.

(*1) Includes estimated interest to be paid and excludes discounts on bonds.

(*2) Excludes discounts on accounts payable-other and others.

As of December 31, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	59,015	61,243	8,324	37,215	15,704
Liabilities	(130,889)	(137,344)	(15,145)	(121,463)	(736)

(71,874)	(76,101)	(6,821)	(84,248)	14,968
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(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2013.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total liabilities divided by total equity; the total liabilities and equity is extracted from the financial statements.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Liability	9,170,241	9,512,011
Equity	13,542,221	13,315,408
Debt-equity ratio	67.72%	71.44%

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	Carrying amount	2014			Total
		Level 1	Level 2	Level 3	
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	16,530		8,713	7,817	16,530
Derivative financial assets	59,015		59,015		59,015
Available-for-sale financial assets	586,675	490,741	47,002	48,932	586,675
	662,220	490,741	114,730	56,749	662,220
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	248,311				
Available-for-sale financial assets(*1,2)	211,466				
Accounts receivable trade and others(*1)	2,134,878				
Financial instruments(*1)	143,069				

2,737,724

Financial liabilities that can be measured at fair value

Financial liabilities at fair value through profit or loss	110,365	110,365	110,365
Derivative financial liabilities	130,889	130,889	130,889
	241,254	241,254	241,254

Financial liabilities that cannot be measured at fair value

Borrowings	292,280	300,048	300,048
Debentures	4,744,502	5,103,527	5,103,527
Accounts payable other and others(*1)	2,582,608		
	7,619,390	5,403,575	5,403,575

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2013 are as follows:

<i>(In millions of won)</i>	Carrying amount	2013			Total
		Level 1	Level 2	Level 3	
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	20,532		20,532		20,532
Derivative financial assets	41,712		41,712		41,712
Available-for-sale financial assets	715,053	574,321	46,414	94,318	715,053
	777,297	574,321	108,658	94,318	777,297
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	448,459				
Available-for-sale financial assets(*1,2)	96,160				
Accounts receivable trade and others(*1)	2,171,475				
Financial instruments(*1)	173,569				
	2,889,663				
Financial liabilities that can be measured at fair value					
Financial liabilities at fair value through profit or loss	96,147	96,147			96,147
Derivative financial liabilities	121,380		121,380		121,380
	217,527	96,147	121,380		217,527
Financial liabilities that cannot be measured at fair value					
Borrowings	356,688		369,810		369,810

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Debentures	4,529,770	4,621,010	4,621,010
Accounts payable - other and others(*1)	3,279,604		
	8,166,062	4,990,820	4,990,820

(*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

(*2) Equity instruments which do not have quoted price in an active market for the identical instruments (inputs for Level 1) are measured at cost in accordance with K-IFRS 1039 as such equity instruments cannot be reliably measured using other methods.

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SK TELECOM CO., LTD.

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For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(3) Fair value, Continued

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

The Company uses various valuation methods for valuation of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Company performs valuation using the inputs which are consistent with natures of assets, liabilities being evaluated.

Interest rates used by the Company for the fair value measurement as of December 31, 2014 are as follows:

	Interest rate
Derivative instruments	1.90 ~ 2.40%
Borrowings and Debentures	2.55 ~ 2.68%

- 3) There have been no transfers from Level 2 to Level 1 in 2014 and changes of financial assets classified as Level 3 for the year ended December 31, 2014 are as follows:

<i>(In millions of won)</i>	Balance at beginning	Acquisition	Gain for the period	Other comprehensive loss	Disposal	Balance at ending
Financial assets at fair value through profit or loss		5,000	2,817			7,817
Available-for-sale financial assets	94,318			(2,430)	(42,956)	48,932

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

31. Financial Risk Management, Continued

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2014 and 2013 are as follows:

	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position	Net amount
				Cash Financial collaterals instruments received	
<i>(In millions of won)</i>					
Financial assets:					
Derivatives(*)	48,057		48,057	(45,892)	2,165
Accounts receivable trade and others	128,794	(117,568)	11,226		11,226
	176,851	(117,568)	59,283	(45,892)	13,391
Financial liabilities:					
Derivatives(*)	45,892		45,892	(45,892)	
Accounts payable other and others	117,568	(117,568)			
	163,460	(117,568)	45,892	(45,892)	

	Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position	Net amount
				Financial Cash instruments collaterals	
<i>(In millions of won)</i>					

					received	
Financial assets:						
Derivatives(*)		28,870		28,870	(28,870)	
Accounts receivable	trade and others	138,897	(127,055)	11,842		11,842
		167,767	(127,055)	40,712	(28,870)	11,842
Financial liabilities:						
Derivatives(*)		43,536		43,536	(28,870)	14,666
Accounts payable	other and others	127,055	(127,055)			
		170,591	(127,055)	43,536	(28,870)	14,666

(*) The amount applicable by enforceable master netting agreement according to ISDA (International Swap and Derivatives Association).

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties

(1) List of related parties

Relationship	Interest rate
Ultimate Controlling Entity	SK Holding Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 39 others(*)
Joint venture	Dogus Planet, Inc. and 4 others
Associates	SK hynix Inc. and 59 others
Affiliates	The Ultimate Controlling Entity's investor using the equity method and the Ultimate Controlling Entity's subsidiaries and associates, etc.

(*) As of December 31, 2014, subsidiaries of the Company are as follows:

Company	Ownership percentage (%)	Types of business
SK Telink Co., Ltd.	83.5	Telecommunication and MVNO service
M&Service Co., Ltd.	100.0	Data base and internet website service
SK Communications Co., Ltd.	64.6	Internet website services
Stonebridge Cinema Fund	56.0	Investment association
Commerce Planet Co., Ltd.	100.0	Online shopping mall operation agency
SK Broadband Co., Ltd.	50.6	Telecommunication services
K-net Culture and Contents Venture Fund	59.0	Investment association
Fitech Focus Limited Partnership II	66.7	Investment association
Open Innovation Fund	98.9	Investment association
PS&Marketing Corporation	100.0	Communications device retail business
Service Ace Co., Ltd.	100.0	Customer center management service
Service Top Co., Ltd.	100.0	Customer center management service
Network O&S Co., Ltd.	100.0	Base station maintenance service
BNCP Co., Ltd.	100.0	Internet website services
Icon Cube Holdings Co., Ltd.	100.0	Investment association
Icon Cube Co., Ltd.	100.0	Internet website services
SK Planet Co., Ltd.	100.0	Telecommunication service
Neosnetworks Co., Ltd.	66.7	Guarding of facilities
IRIVER LIMITED	49.0	Manufacturing of media and sound equipment

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iriver CS Co., Ltd.	100.0	After Service and logistics agency business
iriver Enterprise Ltd.	100.0	Management of Chinese subsidiary
iriver America Inc.	100.0	Sales and marketing in North America
iriver Inc.	100.0	Sales and marketing in North America
iriver China Co., Ltd.		Manufacturing of MP3,4 and domestic sales
	100.0	in China
Dongguan iriver Electronics Co., Ltd.		Manufacturing of e-book and domestic sales
	100.0	in China
SK Telecom China Holdings Co., Ltd.	100.0	Investment association
Shenzhen E-eye High Tech Co., Ltd.	65.5	Manufacturing
SK Global Healthcare Business Group., Ltd.	100.0	Investment association
SK Planet Japan	100.0	Digital contents sourcing service
SKT Vietnam PTE. Ltd.	73.3	Telecommunication service
SK Planet Global PTE. Ltd.	100.0	Digital contents sourcing service
SKP GLOBAL HOLDINGS PTE. LTD.	100.0	Investment association
SKT Americas, Inc.	100.0	Information gathering and consulting
SKP America LLC.	100.0	Digital contents sourcing service
YTK Investment Ltd.	100.0	Investment association
Atlas Investment	100.0	Investment association
Technology Innovation Partners, L.P.	100.0	Investment association
SK Telecom China Fund I L.P.	100.0	Investment association
shopkick Management Company, Inc.	95.2	Investment association
shopkick, Inc.		Mileage-based online transaction App
	100.0	Development

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued

(2) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Salaries	2,600	2,263
Provision for retirement benefits	907	1,012
	3,507	3,275

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued

(3) Transactions with related parties for the years ended December 31, 2014 and 2013 are as follows:

(In millions of won)

Scope	Company	Operating revenue and others	Operating expense and others	2014 Acquisition of property and equipment	Loans collection
Ultimate Controlling Entity	SK Holding Co.,Ltd.(*1)	491	218,169		
Subsidiaries	SK Broadband Co., Ltd.	141,640	561,418	27,564	
	PS&Marketing Corporation	13,683	833,013	2,309	
	Network O&S Co., Ltd.	4,830	170,737	581	
	SK Planet Co., Ltd.	60,502	524,311	16,301	
	SK Telink Co., Ltd.	52,811	36,196	227	
	Service Ace Co., Ltd.	7,252	143,706		
	Service Top Co., Ltd.	6,617	153,307		
	Others	12,851	33,220	1,238	
		300,186	2,455,908	48,220	
Associates	F&U Credit information Co., Ltd.	1,808	42,078		
	HappyNarae Co., Ltd.	14	3,614	9,646	
	SK hynix Inc.	9,628	3,391		
	SK USA, Inc.		2,153		
	SK Wyverns Baseball Club Co., Ltd.	18	22,122		204
	KEB HanaCard Co., Ltd.(*2)	25,295	3,902		
	Others	1,409	6,140		45
		38,172	83,400	9,646	45
Other	SK Engineering & Construction Co., Ltd.	2,382	39,412	304,489	
	SK C&C Co., Ltd.	5,134	259,168	112,158	

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	SK Networks Co., Ltd.	12,442	182,104	4,029	
	SK Networks service Co., Ltd.	10,321	28,293	1,600	
	SK Telesys Co., Ltd.	272	8,564	121,488	
	Others	13,977	20,628	8,905	
		44,528	538,169	552,669	
Total		383,377	3,295,646	610,535	45 204

(*1) Operating expense and others include 191,416 million of dividends paid by the Company.

(*2) For the year ended December 31, 2014, due to merger between Hana SK Card Co., Ltd., the Company's associate, and KEB Card Co., Ltd., the Company exchanged 57,647,058 shares of Hana SK Card Co., Ltd. with 67,627,587 shares of the merged company, KEB HanaCard Co., Ltd. (See Note 9.(3)).

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued*(In millions of won)*

Scope	Company	Operating revenue and others	Operating expense and others	2013 Acquisition of property and equipment	Loans	Loans collection
Ultimate Controlling Entity	SK Holding Co.,Ltd.(*)	934	217,707			
Subsidiaries	SK Broadband Co., Ltd.	105,166	524,278	46,148		
	PS&Marketing Corporation	7,404	441,309			
	Network O&S Co., Ltd.	9,005	156,123			
	SK Planet Co., Ltd.	48,840	580,910	3,039		
	SK Telink Co., Ltd.	38,460	39,781	23		
	Service Ace Co., Ltd.	9,461	135,919			
	Service Top Co., Ltd.	8,736	119,604			
	Others	13,709	62,231	1,006		
		240,781	2,060,155	50,216		
Associates	F&U Credit information Co., Ltd.	1,536	40,867			
	HappyNarae Co., Ltd.	15	3,304	9,167		
	SK hynix Inc.	3,113	1,120			
	SK USA, Inc.		3,300			
	SK Wyverns Baseball Club Co., Ltd.		15,110			204
	HanaSK Card Co., Ltd.	1,959	2,055			
	Others	364			1,200	
		6,987	65,756	9,167	1,200	204
Other	SK Engineering & Construction Co., Ltd.	4,908	36,758	315,609		
	SK C&C Co., Ltd.	3,185	269,829	126,539		
	SK Networks Co., Ltd.	46,387	552,394	4,507		
	SK Networks Services Co., Ltd.	5,677	30,816	1,845		

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	SK Telesys Co., Ltd.	394	13,039	101,433		
	Others	14,122	13,532	5,873		
		74,673	916,368	555,806		
Total		323,375	3,259,986	615,189	1,200	204

(*) Operating expense and others include 191,416 million of dividends paid by the Company.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued

(4) Account balances as of December 31, 2014 and 2013 are as follows:

(In millions of won)

Scope	Company	Loans	2014	Accounts payable
			Accounts receivable Accounts receivable-trade, and others	Accounts payable trade, and others
Ultimate Controlling Entity	SK Holding Co., Ltd.		89	
Subsidiaries	SK Broadband Co., Ltd.		3,236	38,432
	PS&Marketing Corporation		566	101,431
	Network O&S Co., Ltd.		1,201	12,981
	SK Planet Co., Ltd.		9,711	51,991
	SK Telink Co., Ltd.		10,306	5,665
	Service Ace Co., Ltd.		436	19,972
	Service Top Co., Ltd.		887	21,386
	Others		8,890	15,042
			35,233	266,900
Associates	HappyNarae Co., Ltd.			1,780
	SK hynix Inc.		2,561	2,763
	SK Wyverns Baseball Club., Ltd.	1,221		
	Wave City Development Co., Ltd.	1,200	38,412	
	Daehan Kanggun BcN Co., Ltd.	22,147		
	Hana Card Co., Ltd.		1,867	38
	Others		226	840
		24,568	43,066	5,421
Other	SK Engineering and Construction Co., Ltd.		359	3,754
	SK C&C Co., Ltd.		718	76,777
	SK Networks Co., Ltd.		2,027	4,766

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SK Networks Services Co., Ltd.	12	2,004
SK Telesys Co., Ltd.	282	1,559
SK Innovation Co., Ltd.	1,510	247
Others	2,592	6,108
	7,500	95,215
Total	24,568	85,888

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

32. Transactions with Related Parties, Continued*(In millions of won)*

Scope	Company	Loans	2013	Accounts payable
			Accounts receivable Accounts receivable-trade, and others	Accounts payable 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	380
	Others		266	
		24,727	39,354	3,054
Other	SK Engineering and Construction Co., Ltd.		767	11,374
	SK C&C Co., Ltd.		140	64,071
	SK Networks Co., Ltd.		5,920	53,807
	SK Networks Services Co., Ltd.			2,290

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	SK Telesys Co., Ltd.	372	6,438
	SK Innovation Co., Ltd.	1,368	
	Others	2,367	8,189
		10,934	146,169
Total		24,727	73,611
			452,869

- (5) As of December 31, 2014, there are no collateral or guarantee provided by related parties to the Company, nor by the Company to related parties.
- (6) There were additional investments on the related parties during the year ended December 31, 2014. (See Note 9)
- (7) For the year ended December 31, 2014, the company acquired convertible bonds with a face value of 5,000 million and 6,000 million, respectively, from IRIVER LIMITED and Health Connect Co., Ltd. at the face value. The convertible bonds are included in long-term investment securities.

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

33. 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 accounted for as an operating lease and the gain on disposal of the property and equipment is recognized as profit or loss.

In addition, the Company subleased portion of the leased assets. The Company recognized lease payment of 14,075 million and 13,703 million, respectively, in relation to the above operating lease agreement and lease revenue of 7,993 million and 8,462 million, respectively, in relation to the sublease agreement for the year December 31, 2014 and 2013. Future lease payments and lease revenue from the above operating lease agreement and sublease agreement as of December 31, 2014 are as follows:

<i>(In millions of won)</i>	2014	
	Lease payments	Lease revenue
Less than 1 year	14,539	9,540
1~5 years	55,616	32,575
More than 5 years	40,733	20,244
	110,888	62,359

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

34. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Gain on foreign currency translation	(1,373)	(699)
Interest income	(25,015)	(32,265)
Dividends	(13,048)	(20,640)
Gain relating to financial assets at fair value through profit or loss	(2,817)	(5,177)
Gain on disposal of long-term investments securities	(9,807)	(5,439)
Gain on disposal of property and equipment and intangible assets	(3,676)	(1,869)
Gain on valuation of derivatives	(8,713)	
Gain on settlement of derivatives	(7,998)	(7,716)
Other income		(3,626)
Loss on foreign currency translation	167	662
Bad debt for accounts receivable trade	27,313	32,051
Bad debt for accounts receivable other	15,873	20,784
Loss on disposal of long-term investments securities	57	73
Loss relating to financial assets at fair value through profit or loss	1,352	
Depreciation and amortization	2,208,719	2,115,520
Loss on disposal of property and equipment and intangible assets	17,493	233,611
Impairment loss on property and equipment and intangible assets	18,490	
Interest expenses	265,195	274,190
Loss relating to financial liabilities at fair value through profit or loss	10,369	134,232
Loss on settlement of derivatives	672	
Loss relating to investments in subsidiaries and associates	57,593	37,685
Provision for retirement benefits	34,570	35,362
Income tax expense	293,209	310,640
Other expenses	7,764	3,048
	2,886,389	3,120,427

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

34. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Accounts receivable trade	(73,295)	(138,033)
Accounts receivable other	67,681	(27,722)
Advance payments	(56,834)	(20,073)
Prepaid expenses	(3,233)	(6,821)
Inventories	265	(8,601)
Long-term prepaid expenses	(5,544)	(1,425)
Guarantee deposits	(1,798)	(2,653)
Accounts payable other	(247,067)	5,584
Advanced receipts	(4,451)	(3,095)
Withholdings	226,952	21,786
Deposits received	(2,944)	(66,828)
Accrued expenses	(48,641)	57,014
Unearned revenue	(117,136)	(183,655)
Provisions	(38,491)	(226,644)
Long-term provisions	29,959	(72,228)
Plan assets	(41,185)	(28,314)
Retirement benefit payment	(21,887)	(15,566)
Others	2,751	2,412
	(334,898)	(714,862)

- (3) Significant non-cash transactions for the years ended December 31, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Transfer of other property and equipment and others to construction in progress	1,082,767	1,187,295
	1,891,236	1,966,553

Transfer of construction in progress to property and equipment and intangible assets		
Increase(decrease) of accounts payable other related to acquisition of property and equipment and intangible assets	(222,345)	349,793
Acquisition of new frequency use rights by returning the existing 1.8GHz frequency use rights		614,600

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

Independent Accountants' Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

To the Representative Director of

SK Telecom Co., Ltd.

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System (IACS) of SK Telecom Co., Ltd. (the Company) as of December 31, 2014. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2014, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2014 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2014. We did not review the Company's IACS subsequent to December 31, 2014. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

February 23, 2015

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SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2014 and 2013

Report on the Assessment of Internal Accounting Control System (IACS)

English translation of a Report Originally Issued in Korean

To the Board of Directors and Audit Committee of

SK Telecom Co., Ltd.

I, as the Internal Accounting Control Officer (IACO) of SK Telecom Co., Ltd. (the Company), assessed the status of the design and operation of the Company s IACS as of December 31, 2014.

The Company s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company s IACS has been appropriately designed and is operating effectively as of December 31, 2014, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

February 4, 2015

/s/ Internal Accounting Control Officer

/s/ Chief Executive Officer