

SK TELECOM CO LTD  
Form 6-K  
December 12, 2014  
Table of Contents

**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 DECEMBER 2014**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

(Translation of registrant's name into English)

Euljiro 65 (Euljiro2-ga), Jung-gu

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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-

**Table of Contents**

QUARTERLY BUSINESS REPORT

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

THIS IS A SUMMARY OF THE QUARTERLY 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 quarterly business report for the nine months ended September 30, 2014 includes the following consolidated subsidiaries:

<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2013 (millions of Won)</b>	<b>Material Subsidiary*</b>
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services and satellite broadcasting services	252,475	Material
M&Service Co., Ltd.	Feb. 10, 2000	Online information services	68,587	Material
SK Communications Co., Ltd.	Sep. 19, 1996	Internet portal and other Internet information services	205,792	Material
Stonebridge Cinema Fund	Sep. 30, 2005	Investment partnership	11,974	
Commerce Planet Co., Ltd.	Jul. 1, 1997	Online shopping mall operation services	26,237	
SK Broadband Co., Ltd.	Sep. 26, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,044,349	Material
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	16,181	
Hwaitec Focus Investment Partnership 2	Dec. 12, 2008	Investment partnership	21,446	
Open Innovation Fund	Dec. 22, 2008	Investment partnership	27,996	
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	277,300	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	56,276	Material
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	48,369	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	56,677	Material
BNCP Co., Ltd.	Dec. 7, 2009	Internet services	12,108	
Iconcube, Inc.	Sep. 14, 2011	Online information services	4,105	
Iconcube Holdings, Inc.	Sep. 5, 2014	Consulting services		
Iriver Ltd.	Jul. 12, 2000	Audio device manufacturing	36,326	
Iriver CS Co., Ltd.	May 1, 2010	Wholesale and retail	2,203	
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	2,528,054	Material
SK Planet Japan, K.K.	Mar. 14, 2012	Digital contents sourcing services	1,793	
SK Planet Global PTE, LTD.	Aug. 4, 2012	Digital contents sourcing services	697	
SK Planet America LLC	Jan. 27, 2012	Digital contents sourcing services	22,399	
SKP Global Holdings PTE, LTD.	Aug. 10, 2012	Holding company for overseas commerce	20,713	
SK Global Healthcare Business Group, Ltd.	Sep. 14, 2012	Investment	27,625	
Technology Innovation Partners, L.P.	Jun. 24, 2011	Investment	23,759	

**Table of Contents**

<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2013 (millions of Won)</b>	<b>Material Subsidiary*</b>
SK Telecom China Fund I L.P.	Sep. 14, 2011	Investment	3,166	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment	36,261	
Shenzhen E-eye High Tech Co., Ltd.	Apr. 1, 2000	Telematics manufacturing	17,894	
Iriver China Co., Ltd.	Jun 24, 2004	Electronic device manufacturing	4,591	
DongGuan Iriver Electronics Co., Ltd.	Jul. 6, 2006	Electronic device manufacturing	1,171	
Iriver Enterprise Ltd.	Jul. 29, 2013	Wholesale and retail	6,353	
Iriver Inc.	Feb. 15, 2007	Wholesale and retail	1,388	
Iriver America Inc.	May 1, 2005	Wholesale and retail		
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	11,773	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	33,876	
YTK Investment Ltd.	Jul. 1, 2010	Investment	42,118	
Atlas Investment	Jun. 24, 2011	Investment	40,218	
NEOS Networks Co., Ltd.	Jun. 12, 2008	Security system services	14,202	

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

**A. Corporate Legal Business Name: SK Telecom Co., Ltd.****B. Date of Incorporation: March 29, 1984****C. Location of Headquarters**

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

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

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

**D. Major Businesses**

## (1) Wireless business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services has increased. Having reached one million subscribers by January 2012 and over 10 million subscribers by April 2013, the Company has solidified its leadership position in LTE services as it has done with its 3G services. In June 2013, the Company became the first telecommunications service provider in the world to provide commercial LTE-Advanced ( LTE-A ) services using carrier aggregation technology, and in June 2014, the Company reaffirmed the Company's technological leadership by becoming the first to provide commercial 225 Mbps wideband LTE-A services, which is three times faster than LTE. In line with such efforts, the Company set forth its vision under the name of ICTnomics which is derived from the

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

meaning of information and communication technology ( ICT ), and launched unlimited LTE data plans and other innovative data plans such as Rush hour / Subway Free plans that are unlimited data plans based on time, place and occasion (or, TPO). The Company plans to increase profitability by transforming into a telecommunications company fit for the age of big data and strengthening its fundamental competitive edges. By pioneering services that provide differentiated customer experience, including the T-Phone, the Company expects to become a leader in ICT.

---

**Table of Contents**

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

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

(2) Fixed-line business

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

(3) Other businesses

With respect to the Company's e-commerce business, 11th Street, a platform service that connects various sellers and purchasers online, continues to gain market share. In the commerce platform business area, the Company, utilizing the existing network of partner businesses of OK Cashbag, Korea's largest loyalty mileage program with 37 million members, consumer information from big data, information technology, and other sources of competitive edges that can lead the industry, launched Syrup to provide smart shopping services to consumers and Syrup Store to provide integrated marketing solutions to partner businesses in June 2014. Syrup, a mobile wallet service upgraded and rebranded from the Smart Wallet, reached 12.3 million users as of September 30, 2014 and leads the online-to-offline commerce. In the location-based services business area, users of the Company's T-Map Navigation service reached 19.5 million as of September 30, 2014. T-Map Navigation provides real time traffic information and various local information. Utilizing location-based service technology in other services, including leisure, logistics and travel services, the Company provides increased convenience and added value to customers. In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, T Store, which had 23.3 million subscribers as of September 30, 2014 and which the Company plans to expand. In the media business area, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services to substantively help businesses increase their value in a rapidly evolving business environment. SK Planet will continue to provide value to customers by constantly developing and improving its services.

**Table of Contents**

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

See II-1. Business Overview for more information.

**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

\* 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.



**Table of Contents**

## (2) Commercial paper ( CP )

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

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

**2. Company History**

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

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

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

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

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

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



**Table of Contents**

**A. Location of Headquarters**

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

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

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

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

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

**B. Significant Changes in Management**

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

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



**Table of Contents**

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

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

Category	Date
Board resolution on spin-off	July 19, 2011
Record Date for Determination of Shareholders 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
Notice of closure of shareholders register	July 20, 2011
Period of closure of shareholders register	August 5, 2011~ August 8, 2011
Others	
Public notice of shareholders' meeting	August 10, 2011 and August 12, 2011
Dispatch of notice of shareholders' meeting	August 12, 2011

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

Appraisal rights of shareholders  
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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

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

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

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

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

## **Table of Contents**

### (4) Acquisition of shares of PS&Marketing

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

### (5) Disposition of shares of iHQ Inc.

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

### (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.

### (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. from Vogo-Rio Investment Holdings Co., Ltd. and KGF-Rio Limited on August 13, 2014. The Company does not hold a majority of the voting rights of Iriver Ltd., 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.

## **[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.





**Table of Contents**

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

**[SK Telink]**

(1) Merger

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

**[SK Communications]**

(1) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Disposition of the Spicus division

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

4. Disposition of the Cyworld service

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

(2) Disposition of shares

1. Disposition of shares of Etoos

SK Communications sold all of its shares in Etoos to Cheong Sol pursuant to a resolution of its board of directors of October 19, 2009 and, as consideration, received Won 50 billion principal amount of convertible bonds. Pursuant to a resolution of its board of directors of July 23, 2010, SK Communications converted Won 25 billion principal amount, out of a total of Won 50 billion principal amount, of convertible bonds of Etoos into 701,000 shares of Etoos (15.58%). Pursuant to a resolution of its board of directors of January 13, 2012, SK Communications sold Won 20 billion principal amount, out of the remaining Won 25 billion principal amount, of convertible bonds of Etoos Education Co., Ltd. to Shinhan Private Equity Fund No. 2 at a price of Won 19 billion.

2. Disposition of shares of SK i-Media

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

---

**Table of Contents**

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

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

4. Disposition of shares of Service-In

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

**[PS&Marketing]**

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

**[M&Service]**

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

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

**[SK Telecom]**

(1) Issuance of bonds

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

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

(2) Issuance of hybrid securities

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

(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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

and delivered cash in respect of the remainder due to the limit on foreign ownership. In connection with such conversion, the Company recognized Won 135,108 million in financial expenses in 2013. On November 13,

2013, the Company exercised its early redemption right and on December 13, 2013, redeemed the US\$6,505,000 principal amount of convertible notes not converted by noteholders. A 20-day volume weighted average pricing formula was used for the delivery of cash made in place of treasury shares. Due to such calculation, the Company still had US\$91,108,507 outstanding in payables as of December 31, 2013. The amount was delivered in full as of January 6, 2014 and currently has no amount outstanding.

**Table of Contents****[SK Broadband]**

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

**[SK Communications]**

In July 2011, there was a leak of personal information of subscribers of NATE and Cyworld websites operated by SK Communications. As of September 30, 2014, 22 lawsuits were filed against SK Communications, alleging that the leak was caused by its poor management of subscribers' personal information and seeking damages of approximately Won 5.5 billion. With respect to a few of the lawsuits, the relevant district courts have rendered judgments for the relevant plaintiffs' claims in part and SK Communications has appealed such judgments to the applicable high courts, where the cases are currently pending. Other cases remain pending at various district courts in Korea.

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

(As of September 30, 2014)

(Unit: in shares)

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

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

**Table of Contents****B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of September 30, 2014)

Acquisition methods		Type of shares	(Unit: in 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	Common shares	7,086,028				7,086,028
		Preferred shares					
		Common shares					
		Preferred shares					
	Tender offer	Common shares					
		Preferred shares					
	Sub-total	Common shares	7,086,028				7,086,028
		Preferred shares					
	Acquisition through trust and other agreements	Held by trustee	Common shares				
			Preferred shares				
Held in actual stock		Common shares	3,886,710				3,886,710
		Preferred shares					
Sub-total	Common shares	3,886,710				3,886,710	
	Preferred shares						
Other acquisition	Common shares	(1,163,363)				(1,163,363)	
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 September 30, 2014)		(Unit: in shares)	
Classification		Number of shares	Remarks
<b>Total shares (A)</b>	Common share	80,745,711	
	Preferred share		
<b>Number of shares without voting rights (B)</b>	Common share	9,809,375	Treasury shares
	Preferred share		
<b>Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C)</b>	Common share		
	Preferred share		
<b>Shares with restricted voting rights pursuant to Korean law (D)</b>	Common share		
	Preferred share		
<b>Shares with reestablished voting rights (E)</b>	Common share		
	Preferred share		
<b>The number of shares with exercisable voting rights (F = A - B - C - D + E)</b>	Common share	70,936,336	
	Preferred share		

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

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

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

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

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

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

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

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

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

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

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

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

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



**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 nine months ended September 30, 2014	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012
Par value per share (Won)	500	500	500
Net income	516,907	910,157	1,242,767
Net income per share (Won)	7,168	12,837	17,832
Total cash dividend	70,936	666,374	655,133
<b>Total stock dividends</b>			
Percentage of cash dividend to available income (%)	13.6	73.2	52.7
Cash dividend yield ratio (%)	0.4	6.2	6.6
Stock dividend yield ratio (%)			
Cash dividend per share (Won)	1,000	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 total cash dividend of Won 656,533 million for the year ended December 31, 2011 includes the total interim dividend amount of Won 71,095 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.

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

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

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

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

**1. Business Overview**

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

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

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

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

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

(Unit: in 1,000 persons)

Classification		As of		As of December 31,		
		September 30, 2014	2013	2012	2011	2010
Number of subscribers	SK Telecom	28,404	27,352	26,961	26,553	25,705
	Others (KT, LGU+)	28,343	27,328	26,663	25,954	25,062
	<b>Total</b>	<b>56,747</b>	<b>54,680</b>	<b>53,624</b>	<b>52,507</b>	<b>50,767</b>

\* 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		As of December 31,		
	September 30, 2014	2013	2012	2011	2010
Mobile communication services	50.1	50.0	50.3	50.6	50.6

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

**D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As a result, for the nine months ended September 30, 2014, the Company recorded Won 12.9 trillion in revenue and Won 1.3 trillion in operating income on a consolidated basis and Won 9.8 trillion in revenue and Won 1.3 trillion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of September 30, 2014 was 28.40 million, an increase of approximately 510,000 from the previous quarter. In particular, the number of smartphone subscribers as of September 30, 2014 was 19.32 million, an increase of approximately 400,000 from the previous quarter, including 16.21 million LTE subscribers, solidifying the Company s market leadership. Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services, full high definition mobile IPTV streaming services, and T Baseball Multiview, which allows users to watch multiple baseball games on one screen, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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.

## Table of Contents

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

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

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

### [Fixed-line Business]

#### A. Industry Characteristics

As subscribers to various bundled wireless and fixed-line products are continuing to increase, the IPTV business is evolving to satisfy diverse customer needs for media services through differentiated service offerings including mobile IPTV, bundled wireless and IPTV products and 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

Classification		(Unit: in 1,000 persons)		
		As of September 30, 2014	As of December 31, 2013	2012
Fixed-line Subscribers	High-speed Internet	19,116	18,738	18,253
	Fixed-line telephone	17,133	17,620	18,261
	IPTV (real-time)	10,308	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.

**Table of Contents**

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

Classification	As of September 30, 2014	(Unit: in percentages)	
		As of December 31, 2013	2012
High-speed Internet (include resales)	24.8	24.4	24.1
Fixed-line telephone (include Voice over Internet Protocol)	16.9	16.9	16.7
IPTV (real-time)	25.3	24.4	22.2

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

**D. Business Overview and Competitive Strengths**

In 1999, the Company was the first in the world to commence commercial ADSL services and on the back of its premium technology and enhanced competitiveness achieved through bundled products, it is currently expanding subscriber base across all of its businesses, including broadband Internet, telephone and IPTV. In particular, SK Broadband has positioned itself to focus on corporate customer services and IPTV services as key strategic areas for mid- to long-term growth, exploiting opportunities in new ICT-based businesses that have led to revenue growth, and providing differentiated contents in its IPTV business by securing popular programming which includes exclusive children's channels and live broadcasts of Major League Baseball games. In addition, 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 30 million, the growth in various mobile devices has spurred the rise of the service provider with a strong platform business as the leader in the ICT market. It is becoming increasingly important to enhance competitiveness by building a platform with large data capacity to handle the increase in data transmission.

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

a marketplace (Amazon, T Store). Platform businesses are evolving and expanding globally.

## **Table of Contents**

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.

### **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



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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.

## Table of Contents

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

### (2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 19.47 million as of September 30, 2014, T-Map Navigation is one of the leading location-based service platforms in Korea. The Company is broadening the range of its location-based services by also providing infotainment systems to commercial vehicle businesses as well as providing localized content on its products, such as region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

### (3) Digital contents

T Store, launched in September 2009, reached 23.32 million subscribers and cumulative downloads of 2.2 billion as of September 30, 2014, solidifying its leadership position in the application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

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

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

The Company's instant messenger service, Nate-On, had the largest market share of 35.2% in the instant messenger market in Korea with 6 million net users during September 2014. The Company's Internet search portal service, Nate, had a page-view market share of 5.0% as of September 30, 2014. (Source: Korean Click, based on fixed-line access)

### Satellite DMB service

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

**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)
<b>Wireless</b>	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	10,256,922 (79.7%)
<b>Fixed-line</b>	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	1,846,002 (14.3%)
<b>Other</b>	SK Planet Co., Ltd , SK Communications Co., Ltd., M&Service Co., Ltd.,	Internet portal service, e-commerce and investment	OK Cashbag, NATE, T Store, T-Map Navigation and others	771,848 (6.0%)
Total				12,874,772(100.0%)

**[Wireless Business]**

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

**[Fixed-line Business]**

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of September 30, 2014, broadband Internet and TV services comprised 50.7% of SK Broadband's revenue, telephony service 21.6%, corporate data services 26.8% and other telecommunications services 0.9%. 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.

**Table of Contents****[Other Business]**

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

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

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

(Unit: in 100 millions of Won)

<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>Expected investment amount</b>	<b>Amount already invested</b>	<b>Future investment</b>
Network/Common	Upgrade/ New installation	2014	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	13,704	
	Total				21,000	13,704	

**B. Future Investment Plan**

(Unit: in 100 millions of Won)

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

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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

(Unit: in 100 millions of Won)							
<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>Total investments</b>	<b>Amount already invested</b>	<b>Future investment</b>
High-speed Internet				Expand subscriber networks and facilities		769	
Telephone						40	
Television						898	
Corporate Data	Upgrade/ New installation	<b>For the nine months ended September 30, 2014</b>	Backbone and subscriber network / others	Increase leased-line and integrated information system	3,756	1,572	To be determined
Others				Expand networks and required space		477	
		Total			3,756	3,756	

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

				(Unit: in millions of Won)		
Business	Sales type	Item		For the nine months ended September 30, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012*
				<b>Wireless</b>	Services	Mobile communication
Domestic	10,254,817	13,313,006	13,204,702			
Subtotal	10,256,922	13,315,532	13,218,904			
<b>Fixed-line</b>	Services	Fixed-line, B2B data, High-speed Internet, TV	Export	46,705	28,002	29,883
Domestic			1,799,297	2,296,387	2,163,978	
Subtotal			1,846,002	2,324,389	2,193,861	
<b>Other</b>	Services	Display and Search ad., Content	Export	9,109	14,049	4,698
Domestic			762,739	948,084	723,946	
Subtotal			771,848	962,133	728,644	
<b>Total</b>			Export	57,919	44,577	48,783
			Domestic	12,816,853	16,557,477	16,092,626
			Total	12,874,772	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.

							(Unit: in millions of Won)
For the nine months ended							
September 30, 2014	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation	
<b>Total sales</b>	11,478,490	2,317,649	1,349,160	15,145,299	(2,270,527)	12,874,772	
<b>Internal sales</b>	1,221,568	471,647	577,312	2,270,527	(2,270,527)		
<b>External sales</b>	10,256,922	1,846,002	771,848	12,874,772		12,874,772	
<b>Operating income (loss)</b>	1,298,439	45,701	(9,088)	1,335,052		1,335,052	
<b>Net income (loss)</b>							1,295,950
<b>Total assets</b>	23,641,202	3,377,099	3,162,451	30,180,752	(2,495,777)		27,684,975
<b>Total liabilities</b>	9,958,923	2,117,375	896,992	12,973,290	(32,390)		12,940,900

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

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

Edgar Filing: SK TELECOM CO LTD - Form 6-K

<b>Borrowing date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>Contract type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	United Overseas Bank	Dec. 15, 2011 Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank and Citibank	Dec. 15, 2011 Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)	Foreign currency risk	Cross currency swap	Citibank and five other banks	Jun. 12, 2012 Jun.12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	Foreign currency risk	Cross currency swap	Barclays and nine other banks	Nov. 1, 2012 May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000)	Foreign currency risk	Cross currency swap	BNP Paribas and three other banks	Jan. 17, 2013 Nov. 17, 2017

**Table of Contents**

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

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

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

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

Hedged item	Fair value						
	Accumulated gain (loss) on valuation of derivatives		Cash flow hedge		Others <sup>(#1)</sup>	Trading purposes	Total
		Tax effect	Foreign currency translation gain (loss)				
<b>Non-current assets:</b>							
Convertible option <sup>(#2)</sup> (face amounts of Won 100 million)						8,257	8,257
Fixed-to-fixed cross currency swap							
(U.S. dollar denominated bonds face value of US\$400,000,000)	(47,922)	(15,299)	(36,706)	129,806			29,879
<b>Total assets</b>							38,136
<b>Current liabilities:</b>							
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD 65,000,000)	82	26	(3,862)				(3,754)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	5,488	1,752	(26,776)				(19,536)
<b>Non-current liabilities:</b>							
Fixed-to-fixed cross currency swap							
(Swiss Franc denominated bonds face value of CHF 300,000,000)	(11,237)	(3,588)	(32,005)				(46,830)
Fixed-to-fixed cross currency swap							
(U.S. dollar denominated bonds face value of US\$700,000,000)	(20,896)	(6,671)	(27,698)				(55,265)
Fixed-to-fixed cross currency swap							
(Australia dollar denominated bonds face value of AUD 300,000,000)	5,118	1,634	(60,424)				(53,672)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	334	107	(9,855)				(9,414)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)	(8,232)		(3,225)				(11,457)



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

Fixed-to-fixed cross currency swap

(U.S. dollar denominated bonds face value of US\$92,098,000)	(4,298)	(1,372)	(291)	(5,961)
<b>Total liabilities</b>				<b>(205,889)</b>

(\*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 Won 10 million was accounted for as derivative financial assets.

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

(Unit: in 100 millions of Won)

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Strategic Product #1 [T map]	2,545
Purchase	SK C&C Co., Ltd.	April 1, 2014	December 31, 2014	2014 IT Academy IT Service Management Contract (SK C&C)	1,462
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Strategic Product #2 [T freemium]	1,001
Purchase	SK Planet Co., Ltd.	January 1, 2014	January 1, 2015	2014 SK Planet B2B Biz ASP #5 Voice/Messaging VAS (Color Ring, etc.)	545
Purchase	SK Planet Co., Ltd.	March 1, 2014	February 1, 2015	2014 T Membership Program Management Contract (March 2014 - January 2015)	529
Real Estate	Individuals	January 1, 2014	September 30, 2014	Purchase of land for construction of new headquarters and 8 other buildings	154
<b>Subtotal</b>					<b>6,236</b>

**[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 Dec. 2013 to Nov. 2014	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2009 to Dec. 2012 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Busan Transportation Corporation	Use of telecommunication line conduits	From July 2009 to July 2013 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Gwangju City Railway	Use of telecommunication line conduits	From Sep. 2010 to Dec. 2012 (Renewal in progress)	Use of railway telecommunication conduit (Service lease)

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



**Table of Contents****[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 nine months ended	For the year ended		Remarks
	September 30, 2014	2013	2012	
Raw material	70	38	42	
Labor	53,124	79,865	59,050	
Depreciation	145,056	158,158	163,295	
Commissioned service	69,093	22,923	62,399	
Others	48,890	102,668	61,546	
Total R&D costs	316,233	363,652	346,332	
Accounting				
Sales and administrative expenses	312,687	352,385	304,557	
Development expenses (Intangible assets)	3,546	11,267	41,775	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)	2.46%	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.

## **Table of Contents**

### **B. Business-related Intellectual Property**

#### **[SK Telecom]**

The Company holds 5,347 Korean-registered patents, 325 U.S.-registered patents, 217 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 900 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

#### **[SK Broadband]**

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

#### **[SK Planet]**

As of September 30, 2014, SK Planet held 2,443 registered patents, 112 registered design marks, 1,222 registered trademarks and one copyright (including those held jointly with other companies) in Korea. It also holds 85 U.S.-registered patents, 85 Chinese-registered patents, 56 Japanese-registered patents, 23 E.U.-registered patents (all including patents held jointly with other companies) and 227 registered trademarks, along with a number of other intellectual property rights, in other countries.

#### **[SK Communications]**

As of September 30, 2014, SK Communications held 74 registered patents, 26 registered design rights and 696 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)****A. Summary Financial Information (Consolidated)**

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

	As of September 30, 2014	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
<b>Assets</b>				
Current Assets	5,740,166	5,123,415	5,294,421	6,117,479
Cash and Cash Equivalents	1,332,619	1,398,639	920,125	1,650,794
Accounts Receivable Trade, net	2,735,086	2,257,316	1,954,920	1,823,170
Accounts Receivable Other, net	780,236	643,603	582,098	908,836
Others	892,225	823,857	1,837,278	1,734,679
Non-Current Assets	21,944,809	21,453,100	20,301,138	18,248,557
Long-Term Investment Securities	1,023,804	968,527	953,712	1,537,945
Investments in Associates and Joint Ventures	5,907,201	5,325,297	4,632,477	1,384,605
Property and Equipment, net	10,217,606	10,196,607	9,712,719	9,030,998
Intangible Assets, net	2,465,913	2,750,782	2,689,658	2,995,803
Goodwill	1,772,405	1,733,261	1,744,483	1,749,933
Others	557,880	478,626	568,089	1,549,273
Total Assets	27,684,975	26,576,515	25,595,559	24,366,036
<b>Liabilities</b>				
Current Liabilities	6,063,194	6,069,220	6,174,895	6,673,590
Non-Current Liabilities	6,877,706	6,340,738	6,565,882	4,959,737
Total Liabilities	12,940,900	12,409,958	12,740,777	11,633,327
<b>Equity</b>				
Equity Attributable to Owners of the Parent Company	14,024,732	13,452,372	11,854,777	11,661,881
Share Capital	44,639	44,639	44,639	44,639
Capital Surplus (Deficit) and Other Capital Adjustments	288,726	317,508	(288,883)	(285,347)
Retained Earnings	13,716,388	13,102,495	12,124,657	11,642,525
Reserves	(25,021)	(12,270)	(25,636)	260,064
Non-controlling Interests	719,343	714,185	1,000,005	1,070,828
Total Equity	14,744,075	14,166,557	12,854,782	12,732,709
Total Liabilities and Equity	27,684,975	26,576,515	25,595,559	24,366,036
Number of Companies Consolidated	38	28	32	31

**Table of Contents**

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

	For the nine months ended September 30, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012*	For the year ended December 31, 2011*
Operating Revenue	12,874,772	16,602,054	16,141,409	15,803,174
Operating Income	1,335,052	2,011,109	1,730,049	2,266,197
Profit Before Income Tax	1,606,342	1,827,101	1,519,368	2,212,273
Profit for the Period	1,295,950	1,609,549	1,115,663	1,582,073
Profit for the Period Attributable to Owners of the Parent Company	1,299,898	1,638,964	1,151,705	1,612,889
Profit for the Period Attributable to Non-controlling Interests	(3,948)	(29,415)	(36,042)	(30,816)
Basic Earnings Per Share (Won)	18,206	23,211	16,525	22,848
Diluted Earnings Per Share (Won)	18,206	23,211	16,141	22,223

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

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

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

**(2) Presentation of Financial Statements**

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

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

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

**(2) Consolidated Financial Statements**

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

the subsidiary and has the ability to affect those returns through its power over the subsidiary.



## **Table of Contents**

### (3) Joint Arrangements

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

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

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

### (5) Employee Benefits

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

### (6) Fair Value Measurement

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

## **D. Impact of Changes in Accounting Policies**

### (1) Consolidated Financial Statements

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

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

	As of	As of	As of	(Unit: in millions of Won) As of
	September 30, 2014	December 31, 2013	December 31, 2012	December 31, 2011
<b>Assets</b>				
Current Assets	2,941,335	2,817,782	2,589,699	3,948,077
Cash and Cash Equivalents	397,800	448,459	256,577	895,558
Accounts Receivable				
Trade, net	1,649,169	1,513,138	1,407,206	1,282,234
Accounts Receivable				
Other, net	450,106	388,475	383,048	774,221
Others	444,260	467,710	542,868	996,064
Non-Current Assets	19,888,250	20,009,637	19,659,803	16,572,450
Long-Term Investment				
Securities	671,863	729,703	733,893	1,312,438
Investments in				
Subsidiaries and Associates	8,214,361	8,010,121	7,915,547	4,647,506
Property and Equipment,				
net	7,442,848	7,459,986	7,119,090	6,260,169
Intangible Assets, net	1,981,992	2,239,167	2,187,872	2,364,795
Goodwill	1,306,236	1,306,236	1,306,236	1,306,236
Others	270,950	264,424	397,165	681,306
Total Assets	22,829,585	22,827,419	22,249,502	20,520,527
<b>Liabilities</b>				
Current Liabilities	4,135,933	4,288,07	4,343,086	4,467,006
Non-Current Liabilities	5,292,990	5,223,938	5,529,368	4,087,219
Total Liabilities	9,428,923	9,512,011	9,872,454	8,554,225
<b>Equity</b>				
Share Capital	44,639	44,639	44,639	44,639
Capital Surplus and Other				
Capital Adjustments	433,894	433,894	(236,160)	(236,016)
Retained Earnings	12,793,126	12,665,699	12,413,981	11,837,185
Reserves	129,003	171,176	154,588	320,494
Total Equity	13,400,662	13,315,408	12,377,048	11,966,302
Total Liabilities and Equity	22,829,585	22,827,419	22,249,502	22,520,527

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

For the nine months ended September 30, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
---	--	---	--

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Operating Revenue	9,831,961	12,860,379	12,332,719	12,551,255
Operating Income	1,284,686	1,969,684	1,675,388	2,184,498
Profit Before Income Tax	810,182	1,220,797	1,546,719	2,274,421
Profit for the Period	801,762	910,157	1,242,767	1,694,363
Basic Earnings Per Share (Won)	11,303	12,837	17,832	24,002
Diluted Earnings Per Share (Won)	11,303	12,837	17,406	23,343

**B. Changes to Accounting Standards Adopted During 2012**

(1) Financial Instruments: Disclosures

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

## **Table of Contents**

### (2) Presentation of Financial Statements

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

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

### (1) Presentation of Financial Statements

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

### (2) Consolidated Financial Statements

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

### (3) Joint Arrangements

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

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

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

### (5) Employee Benefits

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



**Table of Contents**

(6) Fair Value Measurement

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

**D. Impact of Changes in Accounting Policies**

(1) Consolidated Financial Statements

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

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

Transition to K-IFRS

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

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

<b>Nine months ended September 30, 2014</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2013</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2012</b> KPMG Samjong Accounting Corp.
--	--	--

**2. Audit Opinion (Consolidated)**

<b>Period</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
Nine months ended September 30, 2014		
Year ended December 31, 2013	Unqualified	N/A
Year ended December 31, 2012	Unqualified	N/A

**3. Auditor (Separate)**

<b>Nine months ended September 30, 2014</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2013</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2012</b> KPMG Samjong Accounting Corp.
--	--	--

**4. Audit Opinion (Separate)**

<b>Period</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
Nine months ended September 30, 2014		
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)

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

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

Period	Contract date	Service provided	duration	Service	Fee
Nine months ended September 30, 2014	March 18, 2014	Due diligence of assets	March 11-18, 2014		50,000
	March 28, 2014	Tax advice	March 28-December 31, 2014		40,000
	May 28, 2014	Review revised tax laws	May 18-31, 2014		20,000
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**

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

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

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

(As of November 7, 2014)

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

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

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

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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

Evaluation results of internal accounting management system

Election of the chief executive officer Approved as proposed

Election of the chairman of the Board of Directors Approved as proposed

363th  
(the 3rd meeting  
of 2014) March 21, 2014

Election of committee members Approved as proposed

Financial transactions with affiliated company (SK Securities) Approved as proposed

Provision of funds for management of the 2014 SUPEX meetings Approved as proposed

Transaction of goods relating to B Box with SK Broadband Approved as proposed

Bond offering Approved as proposed

364th  
(the 4th meeting  
of 2014) April 24, 2014

Financial transactions with affiliated company (SK Securities) Approved as proposed

Report for the period after the first quarter of 2014

365th  
(the 5th meeting  
of 2014) June 24, 2014

Financial transactions with affiliated company (SK Securities) Approved as proposed

Payment of interim dividends Approved as proposed

366th  
(the 6th meeting  
of 2014) July 24, 2014

Financial results for the first six months of 2014

Report for the period after the second quarter of 2014

**Table of Contents**

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	

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

**C. Committees within Board of Directors**

(1) Committee structure (as of November 7, 2014)

(a) Compensation Review Committee

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

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

(b) Capex Review Committee

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

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

(c) Corporate Citizenship Committee

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

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

(d) Independent Director Nomination Committee

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

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

(e) Audit Committee

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

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

**Table of Contents****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 November 7, 2014 are set forth below.

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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

		Construction of fixed-line and wireless networks in 2014	Approved as proposed
The 3rd meeting of 2014	March 20, 2014	Transactions with SK C&C Co., Ltd. in the second quarter of 2014	Approved as proposed
		Election of chairman Dae Shick Oh	Approved as proposed
		Purchase of maintenance, repair and operations items from Happynarae Co., Ltd.	Approved as proposed
		Construction of fixed-line and wireless network facilities for 2014	Approved as proposed
The 4th meeting of 2014	April 23, 2014	Remuneration for outside auditor for fiscal year 2014	Approved as proposed
		Outside auditor service plan for fiscal year 2014	Approved as proposed
		Audit plan for fiscal year 2014	
		Transactions with SK C&C Co., Ltd. in the third quarter of 2014	Approved as proposed
The 5th meeting of 2014	June 25, 2014	Energy reduction business contract with SK Broadband Co., Ltd.	Approved as proposed
		Construction of fixed-line and wireless network facilities for 2014	Approved as proposed
		Review of business and audit results for the first half of 2014 and business and audit plans for the second half of 2014	
The 6th meeting of 2014	July 23, 2014	Report on the IFRS audit of fiscal year 2014	
		Transactions with SK C&C Co., Ltd. in the fourth quarter of 2014	Approved as proposed
The 7th meeting of 2014	September 23, 2014		

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



**Table of Contents****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.

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

**4. Affiliated Companies****A. Capital Investments between Affiliated Companies**

(As of September 30, 2014)

Investing company	Invested companies									
	SK Corporation	SK Innovation	SK Energy	SK Global Chemical	SK Telecom	SK Networks	SKC	SK E&C	SK Shipping	SK Securities
SK Holdings		33.4%			25.2%	39.1%	42.3%	44.5%	83.1%	
SK Innovation			100.0%	100.0%						
SK Energy										
SK Global Chemical										
SK Networks										
SK Telecom										
SK Chemicals						0.02%		28.2%		
SKC										
SK E&C										
SK Gas										
SK C&C	31.8%									10.0%
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental										
E-Motion										
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
Ko-one Energy										
SK Seentec										
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**

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

**Table of Contents**

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

**Table of Contents**

Investing company	Invested companies									
	SK D&D	Natruck	SK Hynix	Speed Motor	SK Mobile Energy	SK Petrochemical	SK Communications	SK Planet	SKC Air Gas	SKN service
SK Holdings										
SK Innovation					100.0%					
SK Energy		100.0%								
SK Global Chemical										
SK Networks				100.0%						86.5%
SK Telecom			20.1%					100.0%		
SK Chemicals										
SKC									80.0%	
SK E&C										
SK Gas	50.0%									
SK C&C										
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental										
E-Motion										
SK Lubricants										
SK Shipping										
SK Planet							64.5%			
SK Hynix										
Ko-one Energy Service										
SK Seentec						100.0%				
Iriver										
Total affiliated companies	50.0%	100.0%	20.1%	100.0%	100.0%	100.0%	64.5%	100.0%	80.0%	86.5%

**Table of Contents**

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

**Table of Contents**

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

**Table of Contents**

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



**Table of Contents**

Investing company	Invested companies									
	Ulsan Aromatics	SK Continental E-Motion Korea	G.Hub	SK Incheon Petrochem	SK Trading International	Boryeong LNG Terminal	NEOS Networks	SK Encar	Iriver CS	Iriver CS
SK Holdings										
SK Innovation				100.0%	100.0%					
SK Energy										
SK Global Chemical	50.0%									
SK Networks										
SK Telecom							66.7%		39.3%	
SK Chemicals										
SKC										
SK E&C										
SK Gas			100.0%							
SK C&C								50.0%		
SK E&S						50.0%				
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion		100.0%								
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
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%	39.3%	100.0%

\* As of September 30, 2014, SK Hynix disposed of all the shares (its 100% equity share) of QRT Semiconductor

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

(As of September 30, 2014)

(Unit: in shares and percentages)

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

**B. Overview of the Largest Shareholder**

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

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

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

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

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



**Table of Contents**

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

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

Changes in shareholdings of the largest shareholder are as follows.

(As of September 30, 2014)

(Unit: in shares and percentages)

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

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

**3. Distribution of Shares**

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

(As of June 30, 2014)

(Unit: in shares and percentages)

Rank	Name (title)	Number of shares	Ownership		Remarks
			ratio	Common share	
1	Citibank ADR	13,337,328	16.52%		
2	SK Holdings	20,363,452	25.22		
3	SK Telecom	9,809,375	12.15		Treasury shares
4	National Pension Service	4,760,489	5.90		As of End of 2013
	Shareholdings under the Employee Stock Ownership Program	97,074	0.12		As of September 30, 2014

**B. Shareholder Distribution**

(As of June 30, 2014)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	24,174	99.76%	31,057,635	38.46%	

\* 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	September 2014	August 2014	July 2014	June 2014	May 2014	April 2014
<b>Common stock</b> Highest	298,500	280,500	264,000	243,500	229,000	217,000
Lowest	279,500	256,500	236,000	218,500	216,000	198,000
<b>Monthly transaction volume</b>	3,359,174	2,711,496	3,399,217	3,423,138	2,785,194	4,636,269

**B. Foreign Securities Market**

New York Stock Exchange

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

Types	September 2014	August 2014	July 2014	June 2014	May 2014	April 2014
<b>Depository Receipt</b> Highest	31.75	30.31	28.31	26.50	24.77	23.09
Lowest	30.34	27.76	25.54	23.56	23.23	20.76
<b>Monthly transaction volume</b>	18,808,998	22,036,244	20,283,267	21,637,750	14,595,143	20,665,121

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

(As of September 30, 2014)

(Unit: in persons and millions of Won)

Classification	Number of employees			Total	Average service year	Aggregate wage for the year 2014	Average wage per person	Remarks
	Regular employees	Contract employees	Others					
Male	3,595	59		3,654	13.1	356,874	93	
Female	541	50		591	11.3	42,823	64	
Total	4,136	109		4,245	12.9	399,697	89	

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

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

(As of September 30, 2014)

(Unit: in millions of Won)

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

**B. Amount Paid**

(As of September 30, 2014)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director
Insider Directors	3	2,703	901
Independent Directors*	2	121	61
Audit Committee Members	3	182	61
Total	8	3,006	376

**3. Individual Compensation of Directors**

(As of September 30, 2014)

(Unit: in millions of Won)



Edgar Filing: SK TELECOM CO LTD - Form 6-K

<b>Name</b>	<b>Title</b>	<b>Aggregate Amount Paid</b>
Sung Min Ha	Chief Executive Officer and President	1,271
Dong Seob Jee	Head of Strategy & Planning Office	638

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

None.

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

None.

**B. Transfer of Assets**

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
Seoul E&T and others	Agency	Long-term and short-term loans	84,760	128,377	127,176	85,961		

**X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS**

**1. Developments in the Items Mentioned in Prior Reports on Important Business Matters**

**A. Status and Progress of Major Management Events**

None.

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

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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

2.	Amendment to Articles of Incorporation	
3.	Election of directors	Approved
	Election of an inside director	
	Election of an inside director	Approved (Young Tae Kim)
	Election of an independent director	Approved (Dong Seob Jee)
4.	Election of an independent director as Audit Committee member	Approved (Hyun Chin Lim)
5.	Approval of remuneration limit for directors	Approved (Hyun Chin Lim)
		Approved (Won 12 billion)

29<sup>th</sup> Fiscal Year Meeting of Shareholders

1.	Approval of the financial statements for the year ended December 31, 2012	Approved (Cash dividend, Won 8,400 per share)
----	---	---

(March 22, 2013)

- |    |   |          |
|----|---|----------|
| 2. | Amendments to Articles of Incorporation |          |
| 3. | Election of directors                   | Approved |
|    | Election of an inside director          |          |

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

Election of an independent director

Approved (Dae Sik Cho)

4. Election of an independent director as Audit Committee member

Approved (Dae Shick Oh)

5. Approval of remuneration limit for directors

Approved (Dae Shick Oh)

Approved (Won 12 billion)

30<sup>th</sup> Fiscal Year Meeting of Shareholders

(March 21, 2014)

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

Approved (Cash dividend, Won 8,400 per share)

2. Amendments to Articles of Incorporation

3. Election of directors

Approved

Election of an inside director

Election of an independent director

Approved (Sung Min Ha)

Election of an independent director

Approved (Jay Young Chung)

Election of an independent director

Approved (Jae Hoon Lee)

4. Election of an independent director as Audit Committee member

Approved (Jae Hyeon Ahn)

5. Approval of remuneration limit for directors

Approved (Jae Hyeon Ahn)

Approved (Won 12 billion)

**Table of Contents****2. Contingent Liabilities**  
**[SK Telecom]****A. Material Legal Proceedings**

(1) Claim for copyright license fees regarding Coloring services

On May 7, 2010, Korea Music Copyright Association ( KOMCA ) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company filed an appeal at the Supreme Court of Korea and the judgment was overturned on July 11, 2013. The case was remanded down to the appellate court which ruled in favor of the Company on September 4, 2014. KOMCA filed an appeal at the Supreme Court of Korea, but the Company expects the appeal to be denied, based on the recent denials of appeal in similar suits involving KT and LGU+. While the Company does not expect this litigation to have an immediate impact on the Company s business or results of operation as the final outcome of this litigation has not been determined, the Company may be required to pay increased annual license fees to KOMCA if the final judgment is rendered against the Company.

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

**B. Other Matters**

None.

**[SK Broadband]****A. Material Legal Proceedings**

(1) SK Broadband as the plaintiff

(Unit: in thousands of Won)

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

(2) SK Broadband as the defendant

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Damages claim by Sun Technology Co., Ltd. and others	October 2011	1,223,778	Pending before appellate court



Edgar Filing: SK TELECOM CO LTD - Form 6-K

Damages claim by Haein Networks Co., Ltd.	April 2011	101,000	after remand Pending before district court
Damages claim by Onnuri Co., Ltd.	December 2011	101,000	Pending before the Supreme Court of Korea
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
		209,494	
<b>Total</b>		<b>2,342,272</b>	

**Table of Contents**

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

**B. Other Contingent Liabilities****(1) Pledged assets and covenants**

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

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

**[SK Planet]****A. Material Legal Proceedings**

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

**B. Other Contingent Liabilities**

None.

**[SK Communications]****A. Material Legal Proceedings**

As of September 30, 2014, the aggregate amount of claims was Won 7.1 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 September 30, 2014 are set forth in the table below.

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

## **Table of Contents**

### **[PS&Marketing]**

#### **A. Other Contingent Liabilities**

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

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

### **[NEOS Networks]**

#### **A. Other Contingent Liabilities**

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

### **3. Status of sanctions, etc.**

#### **[SK Telecom]**

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

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

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

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

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

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

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



## **Table of Contents**

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

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

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

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

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

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

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

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

On March 7, 2014, the MSIP imposed a suspension of operations for 45 days for failure to observe the order of the Korea Communications Commission to cease providing discriminatory subsidies to subscribers. The Company suspended its operations during the period 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 Won 16.65 billion, imposed a suspension on acquiring new customers for 7 days, and issued a correctional order for providing discriminatory subsidies to subscribers. In April 2014, the Company paid the fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by April 2014. The Company 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.

**Table of Contents**

On August 21, 2014, the Korea Communications Commission imposed on the Company a fine of Won 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.

**[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 Won 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 by November 2014.

(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 Won 3 million.

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

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

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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.

**Table of Contents**

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

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

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

(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 Won 39 million from the Korea Communications Commission.

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

Status of Implementation: Paid the fine.

Company's plan: Will improve accounting management system.



(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 Won 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

**Table of Contents**

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

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

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

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.  
(8) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

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

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

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

Company's Plan: Will improve operating procedures.  
(9) Violation of the Act on Facilitation of the Use of Information Network and Protection of Information

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

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

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

Status of Implementation: Paid the fine.

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

**Table of Contents**

(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 Won 3.2 billion from the Korea Communications Commission.

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

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

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

**4. Important Matters That Occurred After September 30, 2014**  
[SK Telecom]

On October 28, 2014, the Company issued three tranches of fixed rate unsecured bonds in the principal amounts of Won 160 billion (with an annual interest rate of 2.526% and a maturity date of October 28, 2019), Won 150 billion (with an annual interest rate of 2.658% and a maturity date of October 28, 2021) and Won 190 billion (with an annual interest rate of 2.818% and a maturity date of October 28, 2024) for a total principal amount of Won 500 billion.

**5. Use of Proceeds**

**A. Use of Proceeds from Public Offerings**

Not applicable.

**B. Use of Proceeds from Private Offerings**

(As of September 30, 2014)

(Unit: in millions of Won)

Classification	Closing Date	Proceeds	Planned Use of Proceeds	Actual Use of Proceeds	Reasons for Change
Convertible Bonds*	April 7, 2009	437,673		Refinancing 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 Won 135.1 billion in financial expenses in 2013. On November 13, 2013, the Company exercised its early redemption right and on December 13, 2013, redeemed the US\$6,505,000 principal amount of convertible notes not converted by noteholders.

**Table of Contents**

**SK TELECOM CO., LTD.**

Condensed Consolidated Interim Financial Statements

(Unaudited)

**September 30, 2014 and 2013**

(With Independent Auditors' Review Report Thereon)

**Table of Contents**

Contents

	<b>Page</b>
<b><u>Independent Auditors Review Report</u></b>	66
<u>Condensed Consolidated Statements of Financial Position</u>	68
<u>Condensed Consolidated Statements of Income</u>	70
<u>Condensed Consolidated Statements of Comprehensive Income</u>	71
<u>Condensed Consolidated Statements of Changes in Equity</u>	72
<u>Condensed Consolidated Statements of Cash Flows</u>	73
<u>Notes to the Condensed Consolidated Interim Financial Statements</u>	75

## **Table of Contents**

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

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

### **Management's responsibility**

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

### **Auditors' responsibility**

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

We did not review the financial statements of SK Broadband Co., Ltd., a domestic subsidiary, and an associate, whose financial statements constitute 11.9% of the Group's consolidated operating revenue and 32.1% of the Group's profit before income tax for the nine-month period ended September 30, 2013. Other auditors reviewed those financial statements and our report, insofar as it relates to the amounts included for these entities, is based solely on the reports of other auditors.

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

### **Conclusion**

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



**Table of Contents**

**Other matters**

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea

November 7, 2014

This report is effective as of November 7, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of September 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	September 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	33,34	1,332,619	1,398,639
Short-term financial instruments	5,33,34,37	292,677	311,474
Short-term investment securities	8,33,34	93,878	106,068
Accounts receivable - trade, net	6,33,34,35	2,735,086	2,257,316
Short-term loans, net	6,33,34,35	79,119	79,395
Accounts receivable - other, net	6,33,34,35	780,236	643,603
Prepaid expenses		126,648	108,909
Derivative financial assets	22,33,34		10
Inventories, net	7	236,767	177,120
Assets held for sale	9	2,611	3,667
Advanced payments and other	6,33,34	60,525	37,214
<b>Total Current Assets</b>		<b>5,740,166</b>	<b>5,123,415</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	5,33,34	10,655	8,142
Long-term investment securities	8,33,34	1,023,804	968,527
Investments in associates and joint ventures	12	5,907,201	5,325,297
Property and equipment, net	13,35,37	10,217,606	10,196,607
Investment property, net	14	15,055	15,811
Goodwill	10,15	1,772,405	1,733,261
Intangible assets, net	16	2,465,913	2,750,782
Long-term loans, net	6,33,34,35	55,597	57,442
Long-term accounts receivable - other	6	3,566	
Long-term prepaid expenses		43,206	32,008
Guarantee deposits	5,6,33,34	284,396	249,600
Long-term derivative financial assets	22,33,34	38,136	41,712
Deferred tax assets	31	25,894	26,322
Other non-current assets	6,33,34	81,375	47,589
<b>Total Non-Current Assets</b>		<b>21,944,809</b>	<b>21,453,100</b>
<b>Total Assets</b>		<b>27,684,975</b>	<b>26,576,515</b>

See accompanying notes to the condensed consolidated interim financial statements.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of September 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	September 30, 2014	December 31, 2013
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	17,33,34	787,393	260,000
Current portion of debentures and long-term borrowings, net	17,33,34	965,957	1,042,276
Current portion of finance lease liabilities	20,33,34	7,735	19,351
Current portion of long-term payables - other	18,33,34	188,410	206,800
Accounts payable - trade	33,34,35	317,020	214,716
Accounts payable - other	33,34,35	1,252,770	1,864,024
Withholdings	33,34	892,607	728,936
Accrued expenses	33,34	1,032,220	988,193
Income tax payable	31	50,099	112,316
Unearned revenue		360,319	441,731
Derivative financial liabilities	22,33,34	23,290	21,171
Provisions	19	60,377	66,775
Advanced receipts and other		124,997	102,931
<b>Total Current Liabilities</b>		<b>6,063,194</b>	<b>6,069,220</b>
<b>Non-Current Liabilities:</b>			
Debentures, excluding current portion, net	17,33,34	5,211,277	4,905,579
Long-term borrowings, excluding current portion	17,33,34	144,484	104,808
Long-term payables - other	18,33,34	681,324	838,585
Long-term unearned revenue		33,646	50,894
Finance lease liabilities	20,33,34	707	3,867
Defined benefit liabilities	21	154,852	74,201
Long-term derivative financial liabilities	22,33,34	182,599	103,168
Long-term provisions	19	41,136	28,106
Deferred tax liabilities	31	362,434	168,825
Other non-current liabilities	33,34	65,247	62,705
<b>Total Non-Current Liabilities</b>		<b>6,877,706</b>	<b>6,340,738</b>
<b>Total Liabilities</b>		<b>12,940,900</b>	<b>12,409,958</b>
<b>Equity</b>			
Share capital	1,23	44,639	44,639
Capital surplus and other capital adjustments	23,24,25	288,726	317,508
Retained earnings	26	13,716,388	13,102,495
Reserves	27	(25,021)	(12,270)
<b>Equity attributable to owners of the Parent Company</b>		<b>14,024,732</b>	<b>13,452,372</b>
<b>Non-controlling interests</b>		<b>719,343</b>	<b>714,185</b>
<b>Total Equity</b>		<b>14,744,075</b>	<b>14,166,557</b>
<b>Total Liabilities and Equity</b>		<b>27,684,975</b>	<b>26,576,515</b>

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three and nine-month periods ended September 30, 2014 and 2013

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

	Note	September 30, 2014		September 30, 2013	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Continuing operations</b>					
<b>Operating revenue:</b>	4,35				
Revenue		4,367,484	12,874,772	4,124,594	12,307,213
<b>Operating expense:</b>	35				
Labor cost		411,219	1,241,495	363,241	1,166,404
Commissions paid		1,326,710	4,318,663	1,349,595	4,132,638
Depreciation and amortization	4	672,349	1,996,612	667,476	1,975,969
Network interconnection		286,279	842,812	264,877	769,719
Leased lines		101,762	309,099	113,661	343,891
Advertising		104,843	290,076	91,629	263,799
Rent		118,240	340,816	115,331	336,386
Cost of products that have been resold		474,058	1,203,712	306,335	930,475
Other operating expenses	28	335,462	996,435	301,013	886,523
Sub-total		3,830,922	11,539,720	3,573,158	10,805,804
<b>Operating income</b>	4	<b>536,562</b>	<b>1,335,052</b>	<b>551,436</b>	<b>1,501,409</b>
Finance income	4,30	38,391	88,191	17,297	76,406
Finance costs	4,30	(101,490)	(275,827)	(100,856)	(407,250)
Gains relating to investments in subsidiaries, associates and joint ventures, net	4,12	272,144	566,846	235,155	584,758
Other non-operating income	4,29	10,637	47,211	12,082	50,292
Other non-operating expense	4,29	(90,485)	(155,131)	(285,398)	(363,023)
<b>Profit before income tax</b>	4	<b>665,759</b>	<b>1,606,342</b>	<b>429,716</b>	<b>1,442,592</b>
Income tax expense from continuing operations	31	134,757	310,392	99,356	310,490
<b>Profit from continuing operations</b>		<b>531,002</b>	<b>1,295,950</b>	<b>330,360</b>	<b>1,132,102</b>
<b>Discontinued operation</b>					
Gains from discontinued operation, net of income taxes	36			171,874	183,778
<b>Profit for the period</b>		<b>531,002</b>	<b>1,295,950</b>	<b>502,234</b>	<b>1,315,880</b>
Attributable to :					
Owners of the Parent Company		531,548	1,299,898	504,026	1,324,824
Non-controlling interests		(546)	(3,948)	(1,792)	(8,944)
<b>Earnings per share (in won)</b>					
Basic earnings per share	32	7,493	18,206	7,086	18,841
Diluted earnings per share	32	7,493	18,206	7,086	18,841
<b>Earnings per share - Continuing operations (in won)</b>					
Basic earnings per share	32	7,493	18,206	4,699	16,322

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Diluted earnings per share	32	7,493	18,206	4,699	16,322
----------------------------	----	-------	--------	-------	--------

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2014 and 2013

*(In millions of won)*

	Note	September 30, 2014		September 30, 2013	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Profit for the period</b>		<b>531,002</b>	<b>1,295,950</b>	<b>502,234</b>	<b>1,315,880</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	21	1,379	(10,615)	2,778	(2,827)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	27,30	68,063	67,526	27,039	(24,366)
Net change in other comprehensive income of investments in associates and joint ventures	27	28,157	(25,312)	(74,986)	24,493
Net change in unrealized fair value of derivatives	27,30	(21,589)	(40,402)	71,641	7,547
Foreign currency translation differences for foreign operations	27	(7,855)	(18,271)	(15,239)	(1,184)
Total other comprehensive income (loss), net of taxes		68,155	(27,074)	11,233	3,663
<b>Total comprehensive income</b>		<b>599,157</b>	<b>1,268,876</b>	<b>513,467</b>	<b>1,319,543</b>
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		601,745	1,276,364	515,846	1,329,163
Non-controlling interests		(2,588)	(7,488)	(2,379)	(9,620)
<i>See accompanying notes to the condensed consolidated interim financial statements.</i>					

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2014 and 2013

*(In millions of won)*

	Controlling Interest						Total equity
	Share capital	Capital surplus (deficit) and other capital adjustments	Retained earnings	Reserves	Sub-total	Non-controlling interests	
<b>Balance, January 1, 2013</b>	<b>44,639</b>	<b>(288,883)</b>	<b>12,124,657</b>	<b>(25,636)</b>	<b>11,854,777</b>	<b>1,000,005</b>	<b>12,854,782</b>
Cash dividends			(655,946)		(655,946)	(2,242)	(658,188)
Total comprehensive income							
Profit (loss) for the period			1,324,824		1,324,824	(8,944)	1,315,880
Other comprehensive income (loss)			(3,116)	7,455	4,339	(676)	3,663
Issuance of hybrid bond		398,518			398,518		398,518
Interest on hybrid bond			(5,291)		(5,291)		(5,291)
Treasury stock		190,528			190,528		190,528
Business combination under common control		(61,854)			(61,854)		(61,854)
Changes in ownership in subsidiaries		(2,002)			(2,002)	(253,033)	(255,035)
<b>Balance, September 30, 2013</b>	<b>44,639</b>	<b>236,307</b>	<b>12,785,128</b>	<b>(18,181)</b>	<b>13,047,893</b>	<b>735,110</b>	<b>13,783,003</b>
<b>Balance, January 1, 2014</b>	<b>44,639</b>	<b>317,508</b>	<b>13,102,495</b>	<b>(12,270)</b>	<b>13,452,372</b>	<b>714,185</b>	<b>14,166,557</b>
Cash dividends			(666,802)		(666,802)	(170)	(666,972)
Total comprehensive income							
Profit (loss) for the period			1,299,898		1,299,898	(3,948)	1,295,950
Other comprehensive loss			(10,783)	(12,751)	(23,534)	(3,540)	(27,074)
Interest on hybrid bond			(8,420)		(8,420)		(8,420)
Business combination under common control		(28,641)			(28,641)		(28,641)
Changes in ownership in subsidiaries		(141)			(141)	12,816	12,675
<b>Balance, September 30, 2014</b>	<b>44,639</b>	<b>288,726</b>	<b>13,716,388</b>	<b>(25,021)</b>	<b>14,024,732</b>	<b>719,343</b>	<b>14,744,075</b>

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2014 and 2013

<i>(In millions of won)</i>	Note	September 30, 2014	September 30, 2013
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		1,295,950	1,315,880
Adjustments for income and expenses	38	2,225,622	2,363,633
Changes in assets and liabilities related to operating activities	38	(891,768)	(1,210,694)
Sub-total		2,629,804	2,468,819
Interest received		37,886	40,313
Dividends received		13,048	10,199
Interest paid		(198,785)	(218,764)
Income tax paid		(182,186)	(118,689)
<b>Net cash provided by operating activities</b>		<b>2,299,767</b>	<b>2,181,878</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		18,956	74,970
Decrease in short-term investment securities, net		15,243	
Collection of short-term loans		132,965	225,493
Proceeds from disposal of long-term financial instruments		11	15
Proceeds from disposal of long-term investment securities		51,839	224,118
Proceeds from disposal of investments in associates and joint ventures		6,645	40,021
Proceeds from disposal of property and equipment		19,377	8,572
Proceeds from disposal of intangible assets		8,275	2,117
Proceeds from disposal of assets held for sale		1,056	190,393
Collection of long-term loans		3,437	11,563
Decrease of deposits		8,247	9,761
Proceeds from disposal of other non-current assets		71	554
Proceeds from disposal of subsidiaries			216,471
Sub-total		266,122	1,004,048
Cash outflows for investing activities:			
Increase in short-term investment securities, net			(30,422)
Increase in short-term loans		(130,803)	(211,677)
Increase in long-term loans		(3,148)	(3,069)
Increase in long-term financial instruments		(2,522)	(7,504)
Acquisition of long-term investment securities		(28,294)	(15,762)
Acquisition of investments in associates and joint ventures		(40,264)	(93,191)
Acquisition of property and equipment		(2,113,393)	(1,668,004)
Acquisition of intangible assets		(65,856)	(192,846)
Increase in deposits		(2,643)	(19,686)
Increase in other non-current assets		(1,835)	(1,103)
Acquisition of business, net of cash acquired		(158,228)	(94,805)
Sub-total		(2,546,986)	(2,338,069)

<b>Net cash used in investing activities</b>	<b>(2,280,864)</b>	<b>(1,334,021)</b>
--	--------------------	--------------------

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2014 and 2013

<i>(In millions of won)</i>	September 30, 2014	September 30, 2013
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	523,600	44,000
Issuance of debentures	757,459	1,014,859
Proceeds from long-term borrowings	52,552	8,600
Issuance of hybrid bond		398,518
Cash inflows from settlement of derivatives	119	2,270
Sub-total	1,333,730	1,468,247
Cash outflows for financing activities:		
Repayment of short-term borrowings		(563,745)
Repayment of long-term payables - other	(207,693)	(161,575)
Repayment of debentures	(506,149)	
Repayment of long-term borrowings	(14,109)	(357,615)
Cash outflows from settlement of derivatives	(556)	
Payment of finance lease liabilities	(14,828)	(15,359)
Payment of dividends	(666,802)	(658,189)
Payment of interest on hybrid bond	(8,420)	
Cash paid for transactions with non-controlling interest		(3,871)
Sub-total	(1,418,557)	(1,760,354)
<b>Net cash used in financing activities</b>	<b>(84,827)</b>	<b>(292,107)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(65,924)</b>	<b>555,750</b>
Cash and cash equivalents at beginning of the period	1,398,639	920,125
Effects of exchange rate changes on cash and cash equivalents	(96)	(5,260)
<b>Cash and cash equivalents at end of the period</b>	<b>1,332,619</b>	<b>1,470,615</b>

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity****(1) General**

SK Telecom Co., Ltd. ( the Parent Company ) was incorporated on March 29, 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 September 30, 2014, the Parent Company's total issued shares are held by the following:

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

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

**(2) List of subsidiaries**

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

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

Edgar Filing: SK TELECOM CO LTD - Form 6-K

BNCP Co., Ltd.

Korea Internet website services

100.0

100.0

75

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

Subsidiary	Location	Primary business	Ownership(%)	
			Sep. 30, 2014	Dec. 31, 2013
Iconcube Holdings, Inc. (*1)	Korea	Investment association	100.0	
Iconcube, 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.	39.3	
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	
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, L.P.	USA	Investment association	100.0	100.0
SK Telecom China Fund I L.P.	Cayman	Investment association	100.0	100.0

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

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity, Continued**

(2) List of subsidiaries, Continued

(\*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 organised group of vote holders, and the other shareholdings are widely dispersed. (Refer to Note 10)

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity, Continued**

(3) Condensed financial information of subsidiaries

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

*(In millions of won)*

<b>Subsidiary</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity (deficit)</b>	<b>Revenue</b>	<b>Profit (loss)</b>
SK Telink Co., Ltd.	318,224	182,080	136,144	349,042	9,438
M& Service Co., Ltd.	73,101	30,244	42,857	97,120	7,191
SK Communications Co., Ltd.	181,137	43,917	137,220	70,113	(14,514)
Stonebridge Cinema Fund	12,025	356	11,669		72
Commerce Planet Co., Ltd.	28,175	29,548	(1,373)	46,272	251
SK Broadband Co., Ltd.	3,058,875	1,935,295	1,123,580	1,968,606	2,785
K-net Culture and Contents Venture Fund	15,701		15,701		(468)
Fitech Focus Limited Partnership II	19,471		19,471		(1,886)
Open Innovation Fund	25,976		25,976		(2,270)
PS&Marketing Corporation	620,455	414,224	206,231	1,202,101	(827)
Service Ace Co., Ltd.	68,303	41,294	27,009	152,645	2,243
Service Top Co., Ltd.	61,816	42,968	18,848	138,516	3,059
Network O&S Co., Ltd.	65,509	35,980	29,529	153,267	5,394
BNCP Co., Ltd.	6,914	6,408	506	9,768	(1,938)
Iconcube Holdings, Inc. (*1)	3,796	553	3,243	172	12
SK Planet Co., Ltd.	2,605,082	760,062	1,845,020	1,091,841	20,279
Neosnetworks Co., Ltd.	28,171	8,173	19,998	23,563	(373)
IRIVER LIMITED (*2)	36,542	15,674	20,868	36,880	1,698
SK Telecom China Holdings Co., Ltd.	35,190	596	34,594	8,412	623
Shenzhen E-eye High Tech Co., Ltd.	15,860	595	15,265	2,910	(482)
SK Global Healthcare Business Group., Ltd.	26,265		26,265		(351)
SK Planet Japan	4,152	1,489	2,663	61	(2,089)
SKT Vietnam PTE. Ltd.	4,054	1,228	2,826		(72)
SK Planet Global PTE. Ltd.	4,178	63	4,115	87	(2,535)
SKP GLOBAL HOLDINGS PTE. LTD.	11,903	31	11,872		(5,788)
SKT Americas, Inc.	39,717	86	39,631	6,717	(138)
SKP America LLC.	267,716		267,716		(42)
YTK Investment Ltd.	41,930		41,930		
Atlas Investment(*3)	65,254	105	65,149		(3,340)

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

(\*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 Dong-guan iriver Electronics Co., Ltd., subsidiaries of IRIVER LIMITED.

(\*3)



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity, Continued**

(3) Condensed financial information of subsidiaries, Continued

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

*(In millions of won)*

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

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity, Continued**

## (4) Changes in subsidiaries

The list of subsidiaries that were newly included in the consolidation for the period ended September 30, 2014 is as follows:

Subsidiary	Reason
Neosnetworks Co., Ltd. IRIVER LIMITED Iriver CS Co., Ltd.	
iriver Enterprise Ltd.	
iriver America Inc.	The Parent Company acquired ownership interests during the nine-month period ended September 30, 2014.
iriver Inc.	
iriver China Co., Ltd.	
Dongguan iriver Electronics Co., Ltd. Iconcube Holdings, Inc.	Established by spinoff from BNCP Co., Ltd. during the nine-month period ended September 30, 2014.
Iconcube, Inc.	

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

*(In millions of won)*

	September 30, 2014	
	SK Communications Co., Ltd.	SK Broadband Co., Ltd.
Ownership of non-controlling interests (%)	35.4	49.4
Current assets	92,235	513,785
Non-current assets	88,902	2,545,090
Current liabilities	(41,728)	(715,211)
Non-current liabilities	(2,189)	(1,220,084)
Net assets	137,220	1,123,580
Adjustment for fair value		112,041
Net assets of consolidated entities	137,220	1,235,621
Carrying amount of non-controlling interests	48,653	610,848
Revenue	70,113	1,968,606
Profit (loss) for the period	(14,514)	2,785
Amortization of adjustment for fair value		(1,438)

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Profit (loss) of the consolidated entities	(14,514)	1,347
Total comprehensive loss	(14,816)	(5,486)
Profit (loss) attributable to non-controlling interests	(5,146)	666
Net cash provided by (used in) operating activities	(4,167)	302,857
Net cash provided by (used in) investing activities	9,956	(447,521)
Net cash provided by financing activities		115,220
Net increase (decrease) in cash and cash equivalents	5,789	(29,444)

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

## **Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

#### **(1) Statement of compliance**

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

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

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

##### **1) Assumptions and estimation uncertainties**

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

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

##### **2) Fair value measurement**

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

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**2. Basis of Preparation, Continued**

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

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

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

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

(3) Common control transactions

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

## **Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

#### (1) Changes in accounting policies

##### 1) Offsetting financial assets and financial liabilities

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

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

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

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

### **4. Operating Segments**

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

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

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**4. Operating Segments, Continued**

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

*(In millions of won)*

	<b>Cellular Services</b>	<b>Fixed-line Telecommunication services</b>	<b>Other</b>	<b>Sub-total</b>	<b>Consolidation adjustments</b>	<b>Consolidated amount</b>
Total revenue	11,478,490	2,317,649	1,349,160	15,145,299	(2,270,527)	12,874,772
Inter-segment revenue	1,221,568	471,647	577,312	2,270,527	(2,270,527)	
External revenue	10,256,922	1,846,002	771,848	12,874,772		12,874,772
Depreciation and amortization	1,561,071	373,557	61,984	1,996,612		1,996,612
Operating income (loss)	1,298,439	45,701	(9,088)	1,335,052		1,335,052
Finance income (cost), net						(187,636)
Gain relating to investments in subsidiaries, associates and joint ventures, net						566,846
Other non-operating income (expense), net						(107,920)
Profit from continuing operations before income tax						1,606,342
Total assets	23,641,202	3,377,099	3,162,451	30,180,752	(2,495,777)	27,684,975
Total liabilities	9,958,923	2,117,375	896,992	12,973,290	(32,390)	12,940,900

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**4. Operating Segments, Continued**

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

*(In millions of won)*

	Fixed-line			Sub-total	Consolidation adjustments	Consolidated amount
	Cellular Services	Telecommunication services	Other			
Total revenue	10,760,819	2,173,316	1,251,228	14,185,363	(1,878,150)	12,307,213
Inter-segment revenue	872,517	445,725	559,908	1,878,150	(1,878,150)	
External revenue	9,888,302	1,727,591	691,320	12,307,213		12,307,213
Depreciation and amortization	1,493,938	390,975	91,056	1,975,969		1,975,969
Operating income (loss)	1,504,189	31,340	(34,120)	1,501,409		1,501,409
Finance income (cost), net						(330,844)
Gain relating to investments in subsidiaries, associates and joint ventures, net						584,758
Other non-operating income (expense), net						(312,731)
Profit from continuing operations before income tax						1,442,592
Total assets	22,831,074	3,119,903	3,163,101	29,114,078	(3,180,600)	25,933,478
Total liabilities	9,595,320	1,871,875	905,828	12,373,023	(222,548)	12,150,475

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 nine-month periods ended September 30, 2014 and 2013.

**5. Restricted Deposits**

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

*(In millions of won)*

	September 30, 2014	December 31, 2013
Short-term financial instruments(*)	80,571	81,634
Long-term financial instruments(*)	7,595	7,589
Guarantee deposits	280	40
	88,446	89,263

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**6. Trade and Other Receivables**

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

*(In millions of won)*

	<b>September 30, 2014</b>		
	<b>Allowances</b>		
	<b>Gross</b>	<b>for</b>	<b>Carrying</b>
	<b>amount</b>	<b>impairment</b>	<b>amount</b>
<b>Current assets:</b>			
Accounts receivable trade	2,973,329	(238,243)	2,735,086
Short-term loans	79,853	(734)	79,119
Accounts receivable other	858,996	(78,760)	780,236
Accrued income	15,252	(29)	15,223
Others	3,888		3,888
	3,931,318	(317,766)	3,613,552
<b>Non-current assets:</b>			
Long-term loans	82,288	(26,691)	55,597
Long-term accounts receivable other	3,566		3,566
Guarantee deposits	284,396		284,396
Long-term accounts receivable trade	12,586		12,586
	382,836	(26,691)	356,145
	4,314,154	(344,457)	3,969,697

*(In millions of won)*

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

	3,638,983	(323,984)	3,314,999
--	-----------	-----------	-----------

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Balance at January 1	323,984	300,668
Increase of bad debt	45,829	64,641
Write-off	(41,294)	(43,553)
Others	15,938	14,791
<b>Balance at September 30</b>	<b>344,457</b>	<b>336,547</b>

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

<i>(In millions of won)</i>	<b>September 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Accounts receivable - trade</b>	<b>Other receivables</b>	<b>Accounts receivable - trade</b>	<b>Other receivables</b>
Neither overdue nor impaired	2,150,030	1,182,291	1,882,607	938,131
Overdue but not impaired	101,083	2,072	46,773	2,030
Impaired	734,802	143,876	565,775	203,667
	2,985,915	1,328,239	2,495,155	1,143,828
<b>Allowance for doubtful accounts</b>	<b>(238,243)</b>	<b>(106,214)</b>	<b>(224,685)</b>	<b>(99,299)</b>
	<b>2,747,672</b>	<b>1,222,025</b>	<b>2,270,470</b>	<b>1,044,529</b>

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

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

<i>(In millions of won)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
-----------------------------	---------------------------	--------------------------

Edgar Filing: SK TELECOM CO LTD - Form 6-K

	Accounts receivable - trade	Accounts receivable - other	Accounts receivable - trade	Accounts receivable - other
Less than 1 month	28,389	19	12,036	20
1 ~ 3 months	42,597	354	15,686	1,220
3 ~ 6 months	5,545	841	3,610	516
More than 6 months	24,552	858	15,441	274
	101,083	2,072	46,773	2,030

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**7. Inventories**

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

*(In millions of won)*

	September 30, 2014			December 31, 2013		
	Acquisition cost	Write - down of inventory	Carrying amount	Acquisition cost	Write - down of inventory	Carrying amount
Merchandise	223,417	(5,877)	217,540	165,080	(3,152)	161,928
Finished goods	3,376	(900)	2,476	1,711	(34)	1,677
Work in process	1,188	(58)	1,130			
Raw materials and supplies	16,449	(828)	15,621	13,515		13,515
	244,430	(7,663)	236,767	180,306	(3,186)	177,120

**8. Investment Securities**

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

*(In millions of won)*

	September 30, 2014	December 31, 2013
Beneficiary certificates(*)	86,859	102,828
Current portion of long-term investment securities	7,019	3,240
	93,878	106,068

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**8. Investment Securities, Continued**

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

*(In millions of won)*

	September 30, 2014	December 31, 2013
<b>Equity securities:</b>		
Marketable equity securities	717,064	638,445
Unlisted equity securities	51,511	47,145
Equity investments	215,245	239,354
	983,820	924,944
<b>Debt securities:</b>		
Public bonds(*1)	158	356
Investment bonds(*2)	46,845	46,467
	47,003	46,823
<b>Total</b>	1,030,823	971,767
Less current portion of long-term investment securities	(7,019)	(3,240)
<b>Long-term investment securities</b>	1,023,804	968,527

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

*(In millions of won)*

	September 30, 2014	December 31, 2013
Less than 1 year	158	356

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**9. Assets Held for Sale**

Assets held for sale as of September 30, 2014 and December 31, 2013 are as follows:

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

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

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

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

The Parent Company acquired the ownership interests of Neosnetworks Co., Ltd. and IRIVER LIMITED and they were newly included in the list of subsidiaries during the nine-month period ended September 30, 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 16,004 million and loss of 661 million, respectively, from the acquisition date to September 30, 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.

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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 organised group of vote holders, and the other shareholdings are widely dispersed.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**10. 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:

*(In millions of won)*

	<b>Neosnetworks Co., Ltd.</b>	<b>IRIVER LIMITED</b>
<b>Consideration paid</b>		
Cash and cash equivalents	23,968	29,503
Long-term payables - other (*)	14,500	
	38,468	29,503
<b>Assets and liabilities in succession</b>		
Cash and cash equivalents	16,631	3,098
Accounts receivable trade, net	111	11,687
Property, equipment and intangible assets		11,780
Investment securities	11,489	3,153
Other assets	1,289	6,824
Accounts payable - trade	(3,411)	(7,113)
Borrowings and debentures	(2,150)	(2,293)
Other liabilities	(3,305)	(6,268)
	20,654	20,868
<b>Controlling interests</b>	20,654	8,193
Non-controlling interests		12,675

(\*) During the nine-month period ended September 30, 2014, the Parent Company acquired 31,310 shares of Neosnetworks Co., Ltd. (the ownership interest of 66.7%) by purchasing old shares from the pre-existing shareholders and participating in the capital increase. The Parent Company entered into a shareholders' agreement which granted put options to the pre-existing shareholders for the remaining equity interest of Neosnetworks Co., Ltd. and call options to the Parent Company for those shares if certain conditions are met. In accordance with this shareholders' agreement, the Group 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.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

From the acquisition date to September 30, 2014, PS&Marketing Corporation recognized revenue of 389,069 million and profit of 6,302 million, respectively, relating to the acquired retail distribution business.

In January 2013, the Parent Company acquired a 50% ownership interest that it did not previously hold in SK Marketing & Company Co., Ltd., advertising and e-commerce agency, from SK Innovation Co., Ltd., a related party under common control, through additional purchase of shares and obtained control over SK Marketing & Company Co., Ltd., and its subsidiary, M&Service Co., Ltd.

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

As the business combinations which occurred during the nine-month periods ended September 30, 2013 and 2014 were business combinations between entities under common control, the difference between the consideration and book value of net assets was recognized as capital deficit and other capital adjustments.

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

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



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

	Country	September 30, 2014		December 31, 2013	
		Ownership percentage	Carrying amount	Ownership percentage	Carrying amount
<b>Investments in associates</b>					
SK China Company Ltd.(*1)	China	9.6	35,372	9.6	37,434
Korea IT Fund(*2)	Korea	63.3	233,726	63.3	231,402
Etoos Co., Ltd.(*3)	Korea			15.6	12,029
HanaSK Card Co., Ltd.	Korea	49.0	380,750	49.0	378,616
Candle Media Co., Ltd.(*4)	Korea	35.1	19,322	40.9	21,241
NanoEnTek, Inc.(*5)	Korea	26.0	36,189	9.2	9,312
SK Industrial Development China Co., Ltd.	Hongkong	21.0	77,387	21.0	77,517
Packet One Network(*1,4)	Malaysia	13.6	56,329	27.0	60,706
SK Technology Innovation Company	Cayman	49.0	50,641	49.0	53,874
HappyNarae Co., Ltd.	Korea	42.5	15,223	42.5	13,935
SK hynix Inc.(*6)	Korea	20.1	4,511,479	20.6	3,943,232
SK MENA Investment B.V.	Nederland	32.1	13,407	32.1	13,477
SKY Property Mgmt. Ltd.	Virgin Islands	33.0	239,193	33.0	238,278
Xinan Tianlong Science and Technology Co., Ltd.	China	49.0	26,211	49.0	26,562
Daehan Kanggun BcN Co., Ltd. and others			170,598		164,976
Sub-total			5,865,827		5,282,591
<b>Investments in joint ventures</b>					
Dogus Planet, Inc.(*7)	Turkey	50.0	19,296	50.0	10,105
PT. Melon Indonesia	Indonesia	49.0	3,450	49.0	3,230
Television Media Korea Ltd.	Korea	51.0	6,765	51.0	8,659
PT XL Planet Digital	Indonesia	50.0	11,863	50.0	20,712
Sub-total			41,374		42,706
Total			5,907,201		5,325,297

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

- (\*1) The Group classified the investments in SK China Company Ltd. as investments in associates as the Group can exercise significant influence on these investees through participation of their board of directors.
- (\*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.
- (\*3) Reclassified as available-for-sale financial assets in 2014 as the Group lost the right to appoint directors of this investee and lost significant influence on the investee.
- (\*4) The ownership percentage has been decreased due to disproportionate paid-in capital increase during the nine-month period ended September 30, 2014.
- (\*5) The carrying amount has increased due to the additional investment and the conversion of convertible bonds during the nine-month period ended September 30, 2014.
- (\*6) The ownership percentage has been decreased due to the conversion of convertible bonds issued by SK hynix Inc.
- (\*7) The carrying amount has increased due to additional investment during the nine-month period ended September 30, 2014.
- (2) There is no joint venture listed publicly and the market price of investments in associates listed publicly as of September 30, 2014 and December 31, 2013 are as follows:

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

	September 30, 2014			December 31, 2013		
	Market value per share	Number of shares held	Market price	Market value per share	Number of shares held	Market price
Candle Media Co., Ltd.	821	21,620,360	17,750	810	21,620,360	17,512
NanoEnTek, Inc.	6,670	5,870,290	39,155	5,170	1,807,130	9,343
SK hynix Inc.	46,750	146,100,000	6,830,175	36,800	146,100,000	5,376,480



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

As of and for the nine-month period ended September 30, 2014

	<div style="display: flex; justify-content: space-around;"> <span>HanaSK</span> <span>SKY</span> </div>			
	SK hynix Inc.	Card Co., Ltd.	Property Mgmt. Ltd.	Korea IT Fund
Current assets	8,394,462	3,608,296	147,900	122,310
Non-current assets	15,686,751	286,893	649,161	246,886
Current liabilities	4,538,069	426,797	156,494	
Non-current liabilities	3,252,870	2,772,372	135,467	
Revenue	11,977,634	600,394	60,028	7,616
Profit from continuing operations	2,571,085	9,494	11,188	167
Other comprehensive loss	(103,865)	(2,224)	(5,545)	(834)
Total comprehensive income (loss)	2,467,220	7,270	5,643	(667)

*(In millions of won)*

As of and for the year ended December 31, 2013

	<div style="display: flex; justify-content: space-around;"> <span>HanaSK</span> <span>SKY</span> </div>			
	SK hynix Inc.	Card Co., Ltd.	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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

	As of and for nine-month period ended September 30, 2014			
	Television			
	Media	Dogus	PT. Melon	PT XL
	Korea Ltd.	Planet, Inc.	Indonesia	Planet Digital
Current assets	15,676	41,297	7,931	14,537
Cash and cash equivalents	5,225	4,673	3,714	12,427
Non-current assets	4,224	10,887	3,194	11,951
Current liabilities	6,692	13,545	3,931	2,672
Account payable, other payables and provisions	6,692	13,545	3,931	2,672
Non-current liabilities	417	47	100	90
Account payable, other payables and provisions	417	47	100	90
Revenue	11,695	13,846	8,209	415
Depreciation and amortization	(125)	(1,937)	(686)	(118)
Interest income	193	849	202	
Interest expense		(6)		
Income tax expense				(3,855)
Profit (loss) from continuing operations	(3,685)	(18,923)	553	(11,538)
Total comprehensive income (loss)	(3,685)	(18,923)	553	(11,538)

*(In millions of won)*

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

	September 30, 2014				
	Net assets	Ownership interests (%)	Net assets attributable to the ownership interests	Cost-book value differentials	Carrying amount
<b>Associates:</b>					
SK hynix Inc.(*)	16,290,668	20.1	3,276,491	1,234,988	4,511,479
HanaSK Card Co., Ltd.	696,020	49.0	341,050	39,700	380,750
SKY Property Mgmt. Ltd.(*)	498,409	33.0	164,475	74,718	239,193
Korea IT Fund	369,196	63.3	233,726		233,726

*(In millions of won)*

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

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

For the nine-month period ended September 30, 2014

	Beginning balance	Acquisition and Disposal	Share of profits (losses)	Other compre- hensive income (loss)	Impair- ment loss	Other increase (decrease)	Ending balance
<b>Investments in associates</b>							
SK China Company Ltd.	37,434		(1,656)	(406)			35,372
Korea IT Fund	231,402		3,349	(1,025)			233,726
Etoos Co., Ltd	12,029		346			(12,375)	
HanaSK Card Co., Ltd.	378,616		3,489	(1,355)			380,750
Candle Media Co., Ltd.	21,241		(1,589)	161	(491)		19,322
NanoEnTek, Inc.	9,312	7,778	(83)	2		19,180	36,189
SK Industrial Development China Co., Ltd.	77,517		216	(346)			77,387
Packet One Network	60,706		(9,476)	5,099			56,329
SK Technology Innovation Company	53,874		(2,968)	(265)			50,641
HappyNarae Co., Ltd.	13,935		1,359	(71)			15,223
SK hynix Inc.	3,943,232		592,057	(23,810)			4,511,479
SK MENA Investment B.V.	13,477		(4)	(66)			13,407
SKY Property Mgmt. Ltd.	238,278		1,679	(764)			239,193
Xian Tianlong Science and Technology Co., Ltd	26,562		(351)				26,211
Daehan Kanggun BcN Co., Ltd. and others	164,976	12,809	(8,874)	1,817		(130)	170,598
Sub-total	5,282,591	20,587	577,494	(21,029)	(491)	6,675	5,865,827
<b>Investments in joint ventures</b>							
Dogus Planet, Inc.	10,105	19,677	(9,474)	(1,012)			19,296
PT. Melon Indonesia	3,230		223	(3)			3,450
Television Media Korea Ltd.	8,659		(1,894)				6,765
PT XL Planet Digital	20,712		(5,773)	(3,076)			11,863
Sub-total	42,706	19,677	(16,918)	(4,091)			41,374
Total	5,325,297	40,264	560,576	(25,120)	(491)	6,675	5,907,201

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

*(In millions of won)*

	For the nine-month period ended September 30, 2013					Ending balance
	Beginning balance	Acquisition and disposal	Share of profits (losses)	Other comprehensive income	Other increase (decrease)	
<b>Investments in associates</b>						
SK Marketing & Company Co., Ltd.(*1)	145,333		(3,955)	155	(141,533)	
SK China Company Ltd.	37,628		(9,189)	8,061		36,500
Korea IT Fund	230,016		890	39		230,945
Loen Entertainment, Inc.(*2)					50,267	50,267
JYP Entertainment Corporation(*3)	4,232		999	58	(5,289)	
Etoos Co., Ltd.	12,037		1,400			13,437
HanaSK Card Co., Ltd.	378,457		(1,373)	525		377,609
Candle Media Co., Ltd.	21,935		(912)	87		21,110
NanoEnTek, Inc.	9,276		(14)	3		9,265
SK Industrial Development China Co., Ltd.	77,967		(635)	1,433		78,765
Packet One Network	88,389		1,156	(841)		88,704
SK Technology Innovation Company	63,559		(3,999)	347		59,907
ViKi, Inc.(*4)	15,667	(14,636)	(995)	(36)		
HappyNarae Co., Ltd.	13,113		781	1		13,895
SK hynix Inc.	3,328,245		453,042	14,478		3,795,765
SK MENA Investment B.V.	13,666			65		13,731
SKY Property Mgmt. Ltd.(*2)			4,229	2,005	232,703	238,937
Xinan Tianlong Science and Technology Co., Ltd.		26,982				26,982
Daehan Kanggun BcN Co., Ltd. and others	170,747	23,681	(9,834)	349	(1,022)	183,921
Sub-total	4,610,267	36,027	431,591	26,729	135,126	5,239,740
<b>Investments in joint ventures</b>						
Dogus Planet, Inc.	6,006	21,428	(9,115)	(2,251)		16,068
PT. Melon Indonesia	4,447		(326)	(661)		3,460
Television Media Korea Ltd.	11,757		(2,570)			9,187
PT XL Planet Digital		19,713	1,706			21,419
Sub-total	22,210	41,141	(10,305)	(2,912)		50,134
Total	4,632,477	77,168	421,286	23,817	135,126	5,289,874

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

- (\*1) The entity was merged into SK Planet Co., Ltd., a subsidiary of the Parent Company during the nine-month period ended September 30, 2013.
- (\*2) The Group reclassified the investments in Loen Entertainment, Inc. and SKY Property Mgmt. Ltd. as investments in associates during the nine-month period ended September 30, 2013.
- (\*3) JYP Entertainment Corporation was excluded from list of investments in associates since Loen Entertainment, Inc. was reclassified from investments in subsidiaries to investments in associates during the nine-month period ended September 30, 2013.
- (\*4) Viki Inc. was sold during the nine-month period ended September 30, 2013.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

(In millions of won)

	Unrealized loss		Unrealized change in equity	
	Period ended	Accumulated	Period ended	Accumulated
	September 30, 2014		September 30, 2014	
ULand Company Limited		1,553		(3)
Wave City Development Co., Ltd.	797	4,518		334
	797	6,071		331

**13. Property and Equipment**

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

(In millions of won)

	Beginning balance	Acquisition	For the nine-month period ended September 30, 2014					Business acquisition	Ending balance
			Disposal	Transfer	Depreciation	Impairment	Others		
Land	732,206	6,069		16,258			1,493	609	756,635
Buildings	956,691	4,012	(383)	7,138	(36,488)		2,678	948	934,596
Structures	364,951	4,040		4,795	(24,545)				349,241
Machinery	6,847,059	282,536	(22,315)	1,289,434	(1,524,473)	(2,883)		7,756	6,877,114
Other	533,181	897,063	(2,324)	(611,626)	(99,539)	(46)	4,743	1,173	722,625
Construction in progress	762,519	595,815	(4,624)	(776,315)					577,395
	10,196,607	1,789,535	(29,646)	(70,316)	(1,685,045)	(2,929)	8,914	10,486	10,217,606

(In millions of won)

	Beginning balance	Acquisition	For the nine-month period ended September 30, 2013					Business acquisition	Ending balance
			Disposal	Transfer	Depreciation				
Land	704,908	6,696		(24)	5,994			5,088	722,662
Buildings	886,371	165	(136)		11,216	(33,848)		3,971	867,739
Structures	363,484	8,577	(7)		7,037	(25,310)			353,781
Machinery	6,316,192	270,163	(9,231)		1,190,378	(1,478,874)		1,039	6,289,667
Other	637,212	616,902	(2,463)		(641,619)	(100,278)		3,094	512,848

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Construction in progress	804,552	470,656	(13,008)	(628,981)		8,515	641,734
	9,712,719	1,373,159	(24,869)	(55,975)	(1,638,310)	21,707	9,388,431



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**14. Investment Property**

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

<i>(In millions of won)</i>	<b>For the nine-month period ended September 30, 2014</b>			
	<b>Beginning balance</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending balance</b>
Land	10,822	(404)		10,418
Buildings	4,989	(172)	(180)	4,637
	15,811	(576)	(180)	15,055

<i>(In millions of won)</i>	<b>For the nine-month period ended September 30, 2013</b>			
	<b>Beginning balance</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending balance</b>
Land	12,638	(9,792)		2,846
Buildings	14,841	(830)	(986)	13,025
	27,479	(10,622)	(986)	15,871

**15. Goodwill**

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

<i>(In millions of won)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Goodwill related to acquisition of Shinsegi Telecomm, Inc.	1,306,236	1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	358,443	358,443
Other goodwill	107,726	68,582
	1,772,405	1,733,261

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

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>
-----------------------------	--

Edgar Filing: SK TELECOM CO LTD - Form 6-K

	September 30, 2014	September 30, 2013
Beginning balance	1,733,261	1,744,483
Addition from business acquisition	39,144	1,253
Impairment loss on goodwill		(9,982)
Other decrease		(2,493)
	1,772,405	1,733,261

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**16. Intangible Assets**

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

*(In millions of won)*

	Beginning balance	Acquisition	For the nine-month period ended September 30, 2014					Business acquisition	Ending balance
			Disposal	Transfer	Amortization	Impairment	Others		
Frequency use rights	1,664,571				(210,395)				1,454,176
Land use rights	16,590	13,111	(164)		(6,086)		2,258		25,709
Industrial rights	58,763	5,003	(124)		(3,580)		348		60,410
Development costs	10,127	308	(25)	62	(2,918)		1,359		8,913
Facility usage right	58,828	1,182	(16)	379	(6,319)				54,054
Customer relations	6,333	717		(39)	(2,274)		692	1,702	7,131
Memberships	128,452	4,662	(3,135)	(5)			267		130,241
Other	807,118	41,228	(3,606)	104,058	(224,889)	(237)	1,146	461	725,279
	2,750,782	66,211	(7,070)	104,455	(456,461)	(237)	4,096	4,137	2,465,913

*(In millions of won)*

	Beginning balance	Acquisition	For the nine-month period ended September 30, 2013					Business acquisition	Ending balance
			Disposal	Transfer	Amortization	Impairment			
Frequency use rights(*)	1,693,868	1,046,833	(814,213)		(191,786)				1,734,702
Land use rights	16,062	3,823	(269)		(4,908)				14,708
Industrial rights	60,104	2,137	(75)		(2,809)		(122)		59,235
Development costs	13,420	409			(4,057)	(851)	2,141		11,062
Facility usage rights	65,340	1,179	(75)		(6,214)				60,230
Customer relations	48,886	295			(31,720)				17,461
Memberships	118,954	2,763	(997)				7,668		128,388
Other	673,024	67,075	(903)	152,193	(220,916)	(628)	11,909		681,754
	2,689,658	1,124,514	(816,532)	152,193	(462,410)	(1,479)	21,596		2,707,540

(\*) The Group newly acquired 1.8GHz frequency use rights through auction during the nine-month period ended September 30, 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.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**16. Intangible Assets, Continued**

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

*(In millions of won)*

	<b>Amount</b>	<b>Description</b>	<b>Commencement of amortization</b>	<b>Completion of amortization</b>
W-CDMA license	222,468	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	36,700	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	273,672	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	910,745	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	10,591	WiBro service	Mar. 2012	Mar. 2019
	1,454,176			

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**17. Borrowings and Debentures**

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

*(In millions of won)*

	<b>Lender</b>	<b>Annual interest rate (%)</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Commercial Paper	Hanyang Securities co., Ltd, etc.	2.37 ~ 3.09	505,000	200,000
Short-term borrowings	Shinhan Bank, etc.	2.85 ~ 6.00	282,393	60,000
			787,393	260,000

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

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

<b>Lender</b>	<b>Annual interest rate (%)</b>	<b>Maturity</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Korea Development Bank	3.19	Jun. 16, 2014		1,648
Shinhan Bank	3.11	Jun. 15, 2015	2,569	5,136
Kookmin Bank	3.11	Jun. 15, 2016	5,687	8,124
Kookmin Bank	3.11	Mar. 15, 2017	4,997	5,996
Kookmin Bank	3.11	Mar. 15, 2018	8,600	8,600
Shinhan Bank(*1)	6M bank debenture rate+1.58	Apr. 30, 2016	10,000	
Woori Bank	4.45	Oct. 05, 2020	600	
Korea Finance Corporation	3.32	Jul. 30, 2019	39,000	
Export Kreditnamnden(*2)	1.7	Apr. 29, 2022	96,759	99,975
			(USD 92,098)	(USD 94,736)
Sub-total			168,212	129,479
Less present value discount on long-term borrowings			(2,670)	(3,287)
			165,542	126,192
Less current portion of long-term borrowings			(21,058)	(21,384)
Long-term borrowings			144,484	104,808

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

- (\*1) As of September 30, 2014, the 6M bank debenture rate of Shinhan Bank is 2.68%.
- (\*2) For the nine-month period ended September 30, 2014 and the year ended December 31, 2013, the Group obtained long-term borrowings from Export Kreditnamnden, an export credit agency. The long-term borrowings are redeemed by installment on an annual basis from 2014 to 2022.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**17. Borrowings and Debentures, Continued**

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

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

	Purpose	Maturity	Annual interest rate (%)	September 30, 2014	December 31, 2013
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and	2019	3.24	170,000	170,000
Unsecured private bonds	refinancing fund	2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	
Unsecured private bonds		2024	3.64	150,000	
Unsecured private bonds(*7)		2029	4.73	55,653	
Unsecured private bonds(*7)		2029	4.72	55,630	
Unsecured private bonds(*1)		2014	4.86		20,000
Unsecured private bonds(*1)		2015	4.62	10,000	10,000
Unsecured private bonds(*2)		2014	4.53		290,000
Unsecured private bonds(*2)		2014	4.40		100,000
Unsecured private bonds(*2)		2015	4.09	110,000	110,000
Unsecured private bonds(*2)		2015	4.14	110,000	110,000
Unsecured private bonds(*2)		2017	4.28	100,000	100,000
Unsecured private bonds(*2)		2015	3.14	130,000	130,000
Unsecured private bonds(*2)		2017	3.27	120,000	120,000
Unsecured private bonds(*2)		2016	3.05	80,000	
Unsecured private bonds(*2)		2019	3.49	210,000	
Unsecured private bonds(*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	420,240	422,120
				(USD 400,000)	(USD 400,000)
Exchangeable bonds(*6)	Refinancing fund	2014	1.75		96,147
					(USD 91,109)
Floating rate notes(*4)	Operating fund	2014	3M Libor + 1.60	262,650	263,825
				(USD 250,000)	(USD 250,000)
Floating rate notes(*5)		2014	SOR rate + 1.20	53,591	54,129
				(SGD 65,000)	(SGD 65,000)

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Swiss unsecured private bonds	2017	1.75	331,401 (CHF 300,000)	356,601 (CHF 300,000)
Foreign global bonds	2018	2.13	735,420 (USD 700,000)	738,710 (USD 700,000)
Australia unsecured private bonds	2017	4.75	274,821 (AUD 300,000)	281,988 (AUD 300,000)
Floating rate notes(*4)	2020	3M Libor + 0.88	315,180 (USD 300,000)	316,590 (USD 300,000)
Foreign global bonds(*2)	2018	2.88	315,180 (USD 300,000)	316,590 (USD 300,000)



**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**17. Borrowings and Debentures, Continued**

(3) Debentures as of September 30, 2014 and December 31, 2013 are as follows, Continued

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

	September 30, 2014	December 31, 2013
Sub-total	6,189,766	5,966,700
Less discounts on bonds	(33,590)	(40,229)
	6,156,176	5,926,471
Less current portion of bonds	(944,899)	(1,020,892)
Discounted issue price	5,211,277	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&amp;Marketing Corporation, a subsidiary of the Parent Company.

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

(\*5) As of September 30, 2014, SOR rate is 0.23%.

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

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

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

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

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

The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is 11,283 million as of September 30, 2014.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**18. Long-term Payables - other**

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

(In millions of won)

	September 30, 2014	December 31, 2013
Payables related to acquisition of W-CDMA licenses	653,476	828,721
Other(*)	27,848	9,864
	681,324	838,585

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

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

(In millions of won)

	Period of repayment	Coupon rate	Annual effective interest rate(*)	September 30, 2014	December 31, 2013
2.1GHz	2012~2014	3.58%	5.89%		17,533
800MHz	2013~2015	3.51%	5.69%	69,416	138,833
2.3GHz	2014~2016	3.00%	5.80%	5,766	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	824,841	942,675
				900,023	1,107,691
Present value discount on long-term payables - other				(58,137)	(72,170)
				841,886	1,035,521
Current portion of long-term payables - other				(188,410)	(206,800)
Carrying amount at period end				653,476	828,721

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

(3)

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

The repayment schedule of long-term payables other related to acquisition of W-CDMA licences as of September 30, 2014 is as follows:

*(In millions of won)*

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**19. Provisions**

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

(In millions of won)

	For the nine-month period ended September 30, 2014						As of September 30, 2014		
	Beginning balance	Increase	Utilization	Reversal	Others	Change of the scope of Consolidation	Ending balance	Current	Non-current
Provision for handset subsidy	53,923	67,158	(62,408)				58,673	38,934	19,739
Provision for restoration	40,507	3,270	(449)	(909)	(118)	39	42,340	21,261	21,079
Other provisions	451		(86)		10	125	500	182	318
	94,881	70,428	(62,943)	(909)	(108)	164	101,513	60,377	41,136

(In millions of won)

	For the nine-month period ended September 30, 2013						As of September 30, 2013		
	Beginning balance	Increase	Utilization	Reversal	Others	Ending balance	Current	Non-current	
Provision for handset subsidy	353,383	5,581	(264,036)			94,928	88,042	6,886	
Provision for restoration	39,895	3,404	(363)	(3,785)	940	40,091	10,943	29,148	
Other provisions	590		(89)	(17)	(56)	428		428	
	393,868	8,985	(264,488)	(3,802)	884	135,447	98,985	36,462	

The Group has provided handset subsidy to subscribers who purchase handsets on an installment basis and recognized a provision for subsidy amounts which the Group is expected to pay in future periods.

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

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

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

<i>(In millions of won)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Finance Lease Liabilities</b>		
Current portion of long-term finance lease liabilities	7,735	19,351
Long-term finance lease liabilities	707	3,867
	8,442	23,218

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

<i>(In millions of won)</i>	<b>September 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Minimum</b>		<b>Minimum</b>	
	<b>lease payment</b>	<b>Present value</b>	<b>lease payment</b>	<b>Present value</b>
Less than 1 year	7,946	7,735	20,039	19,351
1~5 years	713	707	3,974	3,867
<b>Sub-total</b>	<b>8,659</b>	<b>8,442</b>	<b>24,013</b>	<b>23,218</b>
Current portion of long-term finance lease liabilities		(7,735)		(19,351)
Long-term finance lease liabilities		707		3,867

**(2) Operating Lease**

The Group entered into operating lease and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues as of September 30, 2014 are as follows:

<i>(In millions of won)</i>	<b>Lease payments</b>	<b>Lease revenues</b>
Less than 1 year	25,123	1,078

Edgar Filing: SK TELECOM CO LTD - Form 6-K

1~5 years	74,002	1,053
More than 5 years	53,518	834
	152,643	2,965

(3) Sales and Leaseback

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

**Table of Contents**

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**21. Defined Benefit Liabilities**

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

*(In millions of won)*

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Present value of defined benefit obligations	395,281	312,494
Fair value of plan assets	(240,429)	(238,293)
	154,852	74,201

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Discount rate for defined benefit obligations		