

SK TELECOM CO LTD  
Form 6-K  
June 15, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 6-K**

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

**SK Telecom Co., Ltd.**

**(Translation of registrant's name into English)**

**Euljiro 65 (Euljiro2-ga), Jung-gu**

**Seoul 100-999, Korea**

**(Address of principal executive offices)**

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

Form 20-F  Form 40-F

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

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

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

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

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

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

(From January 1, 2015 to March 31, 2015)

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 quarter ended March 31, 2015 includes the following consolidated subsidiaries:

| <b>Name</b>                             | <b>Date of Establishment</b> | <b>Principal Business</b>   | <b>Total Assets as of Dec. 31, 2014 (millions of Won)</b> | <b>Material Subsidiary*</b> |
|---|------------------------------|---|---|-----------------------------|
| SK Telink Co., Ltd.                     | Apr. 9, 1998                 | Telecommunication services and satellite broadcasting services      | 324,028   | Material                    |
| M&Service Co., Ltd.                     | Feb. 10, 2000                | Online information services   | 78,826  | Material                    |
| SK Communications Co., Ltd.             | Sep. 19, 1996                | Internet portal and other Internet information services             | 176,168   | Material                    |
| Stonebridge Cinema Fund                 | Sep. 30, 2005                | Investment partnership  | 11,137  |                             |
| Commerce Planet Co., Ltd.               | Jul. 1, 1997                 | Online shopping mall operation services                             | 26,078  |                             |
| SK Broadband Co., Ltd.                  | Sep. 26, 1997                | Fixed-line telecommunication services, multimedia and IPTV services | 3,109,991   | Material                    |
| K-net Culture and Contents Venture Fund | Nov. 24, 2008                | Investment partnership  | 21,094  |                             |
| Hwaitec Focus Investment Partnership 2  | Dec. 12, 2008                | Investment partnership  | 19,301  |                             |
| Open Innovation Fund                    | Dec. 22, 2008                | Investment partnership  | 21,765  |                             |
| PS&Marketing Co., Ltd.                  | Apr. 3, 2009                 | Sale of telecommunication devices                                   | 544,292   | Material                    |
| Service Ace Co., Ltd.                   | Jul. 1, 2010                 | Customer center management services                                 | 66,336  |                             |
| Service Top Co., Ltd.                   | Jul. 1, 2010                 | Customer center management services                                 | 57,032  |                             |
| Network O&S Co., Ltd.                   | Jul. 1, 2010                 | Network maintenance services  | 71,348  |                             |
| BNCP Co., Ltd.                          | Dec. 7, 2009                 | Internet services   | 6,785   |                             |
| Iconcube, Inc.                          | Sep. 14, 2011                | Online information services   | 1,382   |                             |
| Iconcube Holdings, Inc.                 | Sep. 5, 2014                 | Consulting services   | 1,934   |                             |
| Irriver Ltd.                            | Jul. 12, 2000                | Audio device manufacturing  | 65,252  |                             |
| groovers Japan Co. Ltd.**               | Feb. 25, 2015                | Contents and information distribution                               | 46  |                             |
| SK Planet Co., Ltd.                     | Oct. 1, 2011                 | Telecommunication and platform services                             | 2,579,286   | Material                    |

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|   |               |                                       |         |          |
|---|---------------|---------------------------------------|---------|----------|
| SK Planet Japan, K.K.                     | Mar. 14, 2012 | Digital contents sourcing services    | 5,222   |          |
| SK Planet Global PTE, LTD.                | Aug. 4, 2012  | Digital contents sourcing services    | 4,215   |          |
| SK Planet America LLC                     | Jan. 27, 2012 | Digital contents sourcing services    | 297,981 | Material |
| SKP Global Holdings PTE, LTD.             | Aug. 10, 2012 | Holding company for overseas commerce | 29,529  |          |
| SK Global Healthcare Business Group, Ltd. | Sep. 14, 2012 | Investment                            | 25,784  |          |
| Technology Innovation Partners, L.P.      | Jun. 24, 2011 | Investment                            | 33,194  |          |

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| <b>Name</b>                           | <b>Date of Establishment</b> | <b>Principal Business</b>                                 | <b>Total Assets as of Dec. 31, 2014 (millions of Won)</b> | <b>Material Subsidiary*</b> |
|---------------------------------------|------------------------------|---|---|-----------------------------|
| SK Telecom China Fund I L.P.          | Sep. 14, 2011                | Investment  | 14,290  |                             |
| SK Telecom China Holdings Co., Ltd.   | Jul. 12, 2007                | Investment  | 37,877  |                             |
| Iriver China Co., Ltd.                | Jun 24, 2004                 | Electronic device manufacturing                           | 4,519   |                             |
| DongGuan Iriver Electronics Co., Ltd. | Jul. 6, 2006                 | Electronic device manufacturing                           | 394   |                             |
| Iriver Enterprise Ltd.                | Jul. 29, 2013                | Wholesale and retail                                      | 4,931   |                             |
| Iriver Inc.                           | Feb. 15, 2007                | Wholesale and retail                                      | 3,008   |                             |
| Iriver America Inc.***                | May 1, 2005                  | Wholesale and retail                                      |   |                             |
| SKT Vietnam PTE., Ltd.                | Apr. 5, 2000                 | Telecommunication services                                | 4,242   |                             |
| SKT Americas, Inc.                    | Dec. 29, 1995                | Information collection and management consulting services | 42,159  |                             |
| YTK Investment Ltd.                   | Jul. 1, 2010                 | Investment  | 27,944  |                             |
| Atlas Investment                      | Jun. 24, 2011                | Investment  | 66,596  |                             |
| Neosnetworks Co., Ltd.                | Jun. 12, 2008                | Security system services                                  | 31,633  |                             |
| Shopkick Management Company, Inc.     | Oct. 9, 2014                 | Investment  | 230,925   | Material                    |
| Shopkick, Inc.                        | Jun.1, 2009                  | Mileage based e-commerce application development          | 28,216  |                             |

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

\*\* groovers Japan Co. Ltd. was established in the first quarter of 2015 and the total assets set forth above represent the capital held at establishment.

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

Changes in subsidiaries are set forth below.

| <b>Change</b> | <b>Name</b>   | <b>Remarks</b>   |
|---------------|---|--|
| Additions     | groovers Japan Co. Ltd.                             | Established by Iriver Ltd. ( Iriver ) in the first quarter of 2015 |
|               | Iriver CS Co., Ltd.                                 | Merged into Iriver   |
| Exclusions    | Shenzen E-eye High Tech Co., Ltd. ( Shenzen E-eye ) | Disposed of equity investment                                      |

**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>

**Table of Contents****D. Major Businesses****(1) Wireless business**

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

In the business-to-business ( B2B ) area, the Company is strengthening its solutions business through the implementation of five main solution products: Smart Store, Smart Work, Smart Cloud, Green & Safety and M Ad & Payment. Since the commercial launch of its mobile IPTV services, B tv Mobile, in October 2012, the Company has gained over one million paying subscribers as of March 2014. The Company is the first telecommunications services provider in the world to provide full high definition streaming services using its LTE-A network. In 2014, the number of its mobile IPTV service subscribers increased by 1.56 million to reach 2.37 million subscribers by the end of the year and as of March 31, 2015, the number of subscribers was 2.80 million. In the area of healthcare, the Company achieved the following milestones during 2014: point-of-care diagnostic devices manufactured by a company of which the Company is the largest shareholder received approval from the U.S. Food and Drug Administration, the Company entered the Chinese healthcare market and the Company was the first Korean company to export medical information systems. As with the healthcare business, the Company plans to continue to find and develop new growth engines in the mid- to long-term. The Company also plans to seek out new growth engines in existing businesses, including the intelligence business, by utilizing its technologies relating to big data.

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

**(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.

**Table of Contents****(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 39 million members, consumer information from big data, information technology, and other sources of competitive edges that can lead the industry, launched Syrup to provide smart shopping services to consumers and Syrup Store to provide integrated marketing solutions to partner businesses in June 2014. Syrup, a mobile wallet service upgraded and rebranded from its predecessor service, Smart Wallet, reached 13.9 million users as of March 31, 2015 and leads the online-to-offline commerce. In the location-based services business area, users of the Company's T-Map Navigation service reached 18.1 million as of March 31, 2015. 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 23.6 million subscribers as of March 31, 2015 and which the Company plans to expand. In the media business area, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services to substantively help businesses increase their value in a rapidly evolving business environment. SK Planet Co., Ltd. ( SK Planet ) will continue to provide value to customers by constantly developing and improving its services.

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

See II-1. Business Overview for more information.

**Table of Contents****E. Credit Ratings**

## (1) Corporate bonds

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

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

## (2) Commercial paper ( CP )

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(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               |

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

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| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| 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

**Credit rating of**

| <b>Date of credit rating</b> | <b>Subject of rating</b>          | <b>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     |

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

\* On April 8, 2014, S&P raised the outlook on the Company's rating from A- (Stable) to A- (Positive).

**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.

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.)

June 2015: Consummation of the comprehensive share exchange transaction (the Share Exchange ) through which the Company will acquire all of the shares of SK Broadband that it does not otherwise own in exchange for its treasury shares such that SK Broadband will become a wholly-owned subsidiary of the Company.

**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)

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

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

**B. Significant Changes in Management**

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

**C. Change in Company Name**

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

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

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

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

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

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



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

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

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

equity interest in SK Hynix after the purchase.

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

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

(4) Acquisition of shares of PS&Marketing

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

(5) Disposition of shares of iHQ Inc.

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

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(6) Acquisition of shares of Neosnetworks Co., Ltd. ( Neosnetworks )

In order to acquire a new growth engine, the Company acquired a controlling stake in Neosnetworks, a building security company, with the purchase of 31,310 shares (a 66.7% equity interest) of Neosnetworks. on April 2, 2014. The Company acquired an additional 50,377 shares in Neosnetworks in April 2015 through a rights offering, resulting in an increase of its ownership to 83.9% as of May 4, 2015.

(7) Acquisition of shares of Iriver

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

(8) Acquisition of shares of Shopkick, Inc. ( Shopkick )

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

(9) Disposition of Shenzhen E-Eye shares

In 2014, the Company entered into an agreement to dispose of its equity interest in Shenzhen E-eye in order to focus its business portfolio in the Chinese market on high-growth business areas in the field of information and communication technology ( ICT ). The sale was completed on March 23, 2015.

(10) Disposition of a portion of KEB Hana Card shares

On April 3, 2015, the Company sold 27,725,264 shares (10.4% out of the 25.4% equity interest the Company held prior to the sale) of KEB Hana Card Co., Ltd. to Hana Financial Group for cash. With the proceeds of such sale (Won 180 billion), the Company acquired equity interests in Hana Financial Group on April 17, 2015 through participation in a rights offering by Hana Financial Group. The Company plans to maintain its strategic alliance with, and pursue opportunities to create synergies with, Hana Financial Group.

(11) SK Broadband - Comprehensive Share Exchange

On March 20, 2015, the Company's board of directors resolved to approve the Share Exchange.

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Share Exchange ratio: Shareholders of one common share of SK Broadband will be allotted 0.0168936 common shares of SK Telecom

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

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

Announcement date for the proceeding of the Share Exchange as a small-scale share swap: April 6, 2015

Meeting of board of directors for approval of the Share Exchange: May 6, 2015

Date of the Share Exchange: June 9, 2015

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ø The aforementioned schedule of events is subject to change due to consents or approvals required under applicable laws or based on discussions with relevant institutions. Please refer to the Form 6-K furnished to the U.S. Securities and Exchange Commission (the SEC) on March 20, 2015, the Form 6-K/A furnished to the SEC on April 8, 2015 and the Form CB filed with the SEC on April 21, 2015 for other relevant information.

**[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.

(2) Share Exchange

On March 20, 2015, the board of directors of SK Broadband resolved to approve the Share Exchange. The Share Exchange was approved at the extraordinary meeting of shareholders held on May 6, 2015. Subsequent to the Share Exchange, the Company will be the parent company of SK Broadband with 100% ownership and will remain a listed corporation on the KRX KOSPI Market, and SK Broadband will become a wholly-owned subsidiary of the Company and will be delisted from the KRX KOSDAQ Market. There will be no change in the share ownership interest of the Company's existing shareholders or the Company's management in connection with the Share Exchange.

Share Exchange ratio: Shareholders of one common share of SK Broadband will be allotted 0.0168936 common shares of SK Telecom

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

Date of Share Exchange agreement: March 23, 2015

Record date: April 6, 2015

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

Announcement date for the proceeding of the Share Exchange as a small-scale share swap: April 6, 2015

Meeting of board of directors for approval of the Share Exchange: May 6, 2015

Date of the Share Exchange: June 9, 2015

∅ The aforementioned schedule of events is subject to change due to consents or approvals required under applicable laws or based on discussions with relevant institutions. Please refer to the Form 6-K furnished to the SEC on March 20, 2015, the Form 6-K/A furnished to the SEC on April 8, 2015 and the Form CB filed with the SEC on April 21, 2015 for other relevant information.

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**[SK Planet]**

(1) Merger

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

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

**[SK Communications]**

(1) Disposition of shares of SK i-media

Pursuant to the resolution of its board of directors on December 21, 2011, SK Communications sold all of the shares of SK i-media Co., Ltd. it owns to LK Media Tec Co., Ltd. for Won 1 million of cash.

(2) Disposition of shares of U-Land

Pursuant to the resolution of its board of directors on October 17, 2011, SK Communications sold all of the shares of U-Land Co., Ltd. (a 29.85% equity interest) it owns to SK Planet for Won 10 million.

(3) 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.

(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.



**Table of Contents****[Neosnetworks]**

On March 31, 2015, Neos Networks acquired the unmanned electronic security business of Joeun Safe to expand its unmanned security business. The acquisition cost, which had been reported on January 5, 2015 as Won 19.4 billion subject to adjustment depending on the customer transfer rate, is currently determined to be Won 14.0 billion, and the final acquisition cost will be determined on September 30, 2015 based on the customer transfer rate as of such date. Joeun Safe was spun off from its parent company Joeun System in 2006, and has the fourth largest market share in the Korean unmanned security industry. Upon this acquisition, it is expected that the Company will quickly expand into the unmanned security market.

**[Iriver]****(1) Merger of Iriver CS Co., Ltd. ( Iriver CS )**

Pursuant to the resolution of its board of directors on November 18, 2014, Iriver decided to merge with Iriver CS, its wholly-owned subsidiary, with Iriver as the surviving entity. The merger was completed based on the merger ratio of 1:0 with no capital increase. The merger date and merger registration date are January 31, 2015 and February 2, 2015, respectively.

**(2) New Establishment of groovers Japan Co. Ltd. ( groovers Japan )**

On February 25, 2015, Iriver newly established its overseas subsidiary, groovers Japan, for the purpose of strengthening new business opportunities in Japan.

**E. Other Important Matters related to Management Activities****[SK Telecom]****(1) Issuance of bonds**

On May 14, 2014, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of 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).

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 2.53% and a maturity date of October 28, 2019), Won 150 billion (with an annual interest rate of 2.66% and a maturity date of October 28, 2021), and Won 190 billion (with an annual interest rate of 2.82% and a maturity date of October 28, 2024).

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

(2) Issuance of hybrid securities

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

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## (3) Conversion of convertible notes

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

**[SK Broadband]**

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

**3. Total Number of Shares**

∅ The information below is as based on the shareholder registry as of April 6, 2015, which is the record date for purposes of dissenting on the Share Exchange being conducted in accordance with the procedures for a small-scale share swap.

**A. Total Number of Shares**

(As of April 6, 2015)

(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 |

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

## (1) Acquisitions and dispositions of treasury shares

(As of April 6,  
2015)

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

Preferred  
shares

|              |                  |           |           |
|--------------|------------------|-----------|-----------|
| <b>Total</b> | Common<br>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 April 6, 2015)<br>Classification   |                 | Number of shares | (Unit: in shares)<br>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 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.

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

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

Distribution of cash dividends per share of 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 357th Board of Directors Meeting on July 25, 2013.
  
- (5) Distribution of cash dividends was approved during the 30th General Meeting of Shareholders held on March 21, 2014.

Distribution of cash dividends per share of 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 366th Board of Directors Meeting on July 24, 2014.
  
- (7) Distribution of cash dividends was approved during the 31st General Meeting of Shareholders held on March 20, 2015.

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



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

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

| Classification   | As of and for the               |                                 |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|
|  | year ended<br>December 31, 2014 | year ended<br>December 31, 2013 | year ended<br>December 31, 2012 |
| Par value per share (Won)  | 500                             | 500                             | 500                             |
| (Consolidated) Net income  | 1,799,320                       | 1,609,549                       | 1,115,663                       |
| Net income per share (Won)   | 25,154                          | 23,211                          | 16,525                          |
| Total cash dividend  | 666,802                         | 666,374                         | 655,133                         |
| <b>Total stock dividends</b>                                       |                                 |                                 |                                 |
| (Consolidated) Percentage of cash dividend to available income (%) | 37.1                            | 41.4                            | 58.7                            |
| Cash dividend yield ratio (%)                                      | Common share<br>Preferred share | 3.5<br>4.1                      | 6.2                             |
| Stock dividend yield ratio (%)                                     | Common share<br>Preferred share |                                 |                                 |
| Cash dividend per share (Won)                                      | Common share<br>Preferred share | 9,400<br>9,400                  | 9,400                           |
| Stock dividend per share (share)                                   | Common share<br>Preferred share |                                 |                                 |

\* Net income per share means basic net income per share. The cash dividend per share of Won 9,400 includes the interim cash dividend 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>  |
|-----------------------|-----------------------------|---|
|                       | SK Telecom Co., Ltd.        | Wireless voice and data telecommunications services via digital wireless networks   |
| <b>Wireless</b>       | PS&Marketing Co., Ltd.      | Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels  |
|                       | SK Broadband Co., Ltd.      | High-speed Internet, TV, telephone, commercial data and other fixed-line services and management of the transmission system for online digital contents                                       |
| <b>Fixed-line</b>     |                             | Various media-related services, such as channel management, including video on demand, and mobile IPTV services   |
|                       | SK Telink Co., Ltd.         | International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator ( MVNO ) services |
|                       | SK Planet Co., Ltd.         | Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others  |
|                       | SK Communications Co., Ltd. | Integrated portal services through NATE and instant messaging services through NATE-ON  |
| <b>Other business</b> | M&Service Co., Ltd.         |   |

System software development, distribution and technical support services and other online information services

SK Planet America      Digital contents provider and sourcing services  
LLC

Shopkick Management      Investment business  
Company, Inc.

**[Wireless Business]**

**A. Industry Characteristics**

As of March 31, 2015, the Korean mobile communication market can be considered to have reached its maturation stage with more than a 100% penetration rate. However, the Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE-A, LTE and 3G smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the commercialization of LTE network in July 2011 and LTE-A network in June 2013, B2B businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly. In the first half of 2014, wideband LTE-A service was commercialized and on December 29, 2014, tri-band LTE-A service with a maximum speed of 300 Mbps was also commercialized. Such achievements were the building blocks towards the Company's LTE penetration reaching over 60% this quarter (61.5%).

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

| Classification        |                   | (Unit: in 1,000 persons) |                         |                            |                            |
|-----------------------|-------------------|--------------------------|-------------------------|----------------------------|----------------------------|
|                       |                   | As of March 31,<br>2015  | As of March 31,<br>2014 | As of December 31,<br>2013 | As of December 31,<br>2012 |
| Number of subscribers | SK Telecom        | 26,079                   | 29,613                  | 27,352                     | 26,961                     |
|                       | Others (KT, LGU+) | 26,283                   | 27,595                  | 27,328                     | 26,663                     |
|                       | MVNO              | 4,967                    |                         |                            |                            |
|                       | <b>Total</b>      | <b>57,329</b>            | <b>57,208</b>           | <b>54,680</b>              | <b>53,624</b>              |

\* Source: Ministry of Science, ICT and Future Planning ( MSIP ) website. MVNO subscribers disclosed separately starting in 2015.

**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.

| Classification                | (Unit: in percentages)  |                         |                            |                            |
|-------------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
|                               | As of March 31,<br>2015 | As of March 31,<br>2014 | As of December 31,<br>2013 | As of December 31,<br>2012 |
| Mobile communication services | 49.5                    | 50.0                    | 50.0                       | 50.3                       |

\* 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 quarter ended March 31, 2015, the Company recorded Won 4.2 trillion in revenue and Won 0.4 trillion in operating income on a consolidated basis and Won 3.1 trillion in revenue and Won 0.4 trillion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of March 31, 2015 was 28.38 million, a decrease of approximately 230,000 from the previous quarter due to the termination of pre-paid wireless telephone subscribers that were not using their service for a long period of time. In particular, the number of smartphone subscribers as of March 31, 2015 was 19.76 million, an increase of approximately 270,000 from the previous quarter, including 17.4 million LTE subscribers, solidifying the Company's market leadership. Following the launch of commercial LTE services in July 2011, the Company became the first telecommunications service provider in the world to launch commercial wideband LTE-A services in June 2014. In December 2014, the Company launched tri-band LTE-A services. By launching various high quality services utilizing the LTE-A and wideband LTE networks such as group video conference call services, full high definition mobile IPTV streaming services, and T Baseball Multiview, which allows users to watch multiple baseball games on one screen, the Company plans to provide an innovative user experience, enhance customer satisfaction and increase profitability.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea's top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 18 years, 18 years and 16 years, respectively.

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

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

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

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

As subscribers to various bundled wireless and fixed-line products are continuing to increase, the IPTV business is evolving to satisfy diverse customer needs for media services through differentiated service offerings including mobile IPTV, bundled wireless and IPTV products and 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 March 31, 2015     | As of December 31, 2014 | 2013   |
| Fixed-line<br>Subscribers | High-speed Internet  | 19,335                   | 19,199                  | 18,738 |
|                           | Fixed-line telephone | 16,785                   | 16,939                  | 17,620 |
|                           | IPTV (real-time)     | 10,840                   | 10,840                  | 8,522  |

\* Source: MSIP website and Korea Communications Commission website

\* The number of IPTV subscribers as of March 31, 2015 has not yet been disclosed by the MSIP so the number as of December 31, 2014 is shown instead.

**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.

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

| Classification  | (Unit: in percentages)  |                            |      |      |
|---|-------------------------|----------------------------|------|------|
|   | As of March 31,<br>2015 | As of December 31,<br>2014 | 2013 | 2012 |
| High-speed Internet (include resales)                                   | 25.3                    | 25.1                       | 24.4 | 24.1 |
| Fixed-line telephone (include Voice over Internet Protocol<br>( VoIP )) | 17.1                    | 17.0                       | 16.9 | 16.7 |
| IPTV  | 26.0                    | 26.1                       | 23.8 | 22.0 |

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

\* With respect to VoIP services, the market share was calculated based on the number of VoIP subscribers among the Company, KT and LG U+.

\* The number of IPTV subscribers as of March 31, 2015 has not yet been disclosed by the MSIP so the number as of December 31, 2014 is shown instead.

**D. Business Overview and Competitive Strengths**

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

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

SK Telink provides international telecommunications service. SK Telink has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. It launched a mobile phone-based international calling service under the brand name 00700 in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was



designated a common carrier for international calling services, which allowed us to expand our international calling services to fixed-line international calling services. SK Telink plans to strategically target the convergence of wireless and fixed-line telecommunications and strengthen its existing business, including international and long-distance calling services, value-added services for local calling and B2B services, and video conference call services while aiming to satisfy the diverse needs of customers through the provision of quality solutions at reasonable prices.

**[Other Business]**

**A. Industry Characteristics**

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

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

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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 11<sup>th</sup> Street, Syrup, and OK Cashbag, its digital contents business such as T Store and Hoppin, and its location-based service business such as T-Map Navigation, thereby ultimately increasing its enterprise value.

(1) Commerce

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

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

OK Cashbag is a point-based loyalty marketing program which has grown to become a global top-tier loyalty marketing program since its inception in 1999. Customers have access to increased benefits through accumulation of loyalty reward points and partner companies use OK Cashbag as a marketing resource. With 39 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 18.1 million as of March 31, 2015, 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 23.57 million subscribers and cumulative downloads of 2.6 billion as of March 31, 2015, solidifying its leadership position in the application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

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

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

The Company's instant messenger service, Nate-On, had a market share of 28.7% in the instant messenger market in Korea with 5.45 million net users during March 2015. The Company's Internet search portal service, Nate, had a page-view market share of 4.1% as of March 31, 2015. (Source: Korean Click, based on fixed-line access)

ø 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)

| <b>Business</b>   | <b>Major Companies</b>  | <b>Item</b>   | <b>Major Trademarks</b>  | <b>Consolidated Sales Amount (ratio)</b> |
|-------------------|---|---|--|--|
| <b>Wireless</b>   | SK Telecom Co., Ltd.,<br>PS&Marketing Co., Ltd.,<br>Service Ace Co., Ltd.,<br>Network O&S Co., Ltd. | Mobile communication service,<br>wireless data service,<br>ICT service      | T and others   | 3,326,665 (78%)                          |
| <b>Fixed-line</b> | SK Broadband Co., Ltd.,<br>SK Telink Co., Ltd.  | Fixed-line phone,<br>high speed Internet,<br>data and network lease service | B tv, 00700<br>international call,<br>7Mobile and<br>others                | 616,706<br>(15%)                         |
| <b>Other</b>      | SK Planet Co., Ltd,<br>SK Communications Co.,<br>Ltd.,<br><br>Iriver Inc.<br>M&Service Co., Ltd.,   | Internet portal service and<br><br>e-commerce                               | OK Cashbag,<br><br>NATE, T Store,<br>T-Map<br>Navigation<br><br>and others | 296,915<br><br>(7%)                      |
| <b>Total</b>      |   |   |  | 4,240,286<br>(100%)                      |

**[Wireless Business]**

As of March 31, 2015, based on the Company's standard monthly subscription plan, the basic service fee was Won 11,000 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 March 31, 2015, broadband Internet and TV services comprised 54.3% of SK Broadband's revenue, telephony service 20.6%, corporate data services 24.5% and other telecommunications services 0.6%. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long-term contracts, changes in equipment costs and competition between companies.

**[Other Business]**

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

| <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/<br>New installation | 2015                     | Network, systems and others  | Capacity increase and quality improvement; systems improvement | 20,000                            | 3,193                          |                          |
| Total           |                              |                          |                              |  | 20,000                            | 3,193                          |                          |

**Table of Contents****B. Future Investment Plan**

(Unit: in 100 millions of Won)

| Business       | Expected investment amount<br>Asset type | Expected investment for each<br>year |        |                     | Investment effect   |   |
|----------------|--|--------------------------------------|--------|---------------------|---------------------|---|
|                |  | Amount                               | 2015   | 2016                |                     | 2017  |
| Network/Common | Network,<br>systems and<br>others        | 20,000                               | 20,000 | To be<br>determined | To be<br>determined | Upgrades to the existing services and<br>expanded provision of services<br>including wideband LTE-A |
| <b>Total</b>   |  | 20,000                               | 20,000 | To be<br>determined | To be<br>determined |   |

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

While the Company increased capital expenditures in the first quarter of 2015 for the strengthening of network fundamentals, the Company expects that the total amount of capital investments in 2015 will be similar to that of 2014.

(Unit: in 100 millions of Won)

| Business                | Classification                  | Investment<br>period                             | Subject of<br>investment                             | Investment effect   | Amount               |                     |                      |
|-------------------------|---------------------------------|--|--|---|----------------------|---------------------|----------------------|
|                         |                                 |  |  |   | Total<br>investments | already<br>invested | Future<br>investment |
| High-speed<br>Internet  | Upgrade/<br>New<br>installation | For the<br>quarter<br>ended<br>March 31,<br>2015 | Backbone<br>and<br>subscriber<br>network /<br>others | Expand subscriber<br>networks and facilities<br>Increase leased-line<br>and integrated<br>information system<br>Expand networks and<br>required space |                      | 493                 |                      |
| Telephone<br>Television |                                 |  |  |   |                      | 11                  |                      |
| Corporate Data          |                                 |  |  |   | 1,248                | 204                 | To be<br>determined  |
| Others                  |                                 |  |  |   |                      | 390                 |                      |
| <b>Total</b>            |                                 |  |  |   | 1,248                | 1,248               |                      |

**4. Revenues**

(Unit: in millions of Won)

| Business | Item |
|----------|------|
|----------|------|



| Sales type        |          |   |          | For the quarter | For the year       | For the year       |
|-------------------|----------|---|----------|-----------------|--------------------|--------------------|
|                   |          |   |          | ended March 31, | ended December 31, | ended December 31, |
|                   |          |   |          | 2015            | 2014               | 2013               |
| <b>Wireless</b>   | Services |   | Export   | 676             | 6,773              | 2,526              |
|                   |          |   | Domestic | 3,325,989       | 13,521,108         | 13,313,006         |
|                   |          | Mobile communication                          | Subtotal | 3,326,665       | 13,527,881         | 13,315,532         |
| <b>Fixed-line</b> | Services |   | Export   | 17,756          | 63,608             | 28,002             |
|                   |          |   | Domestic | 598,950         | 2,386,312          | 2,296,387          |
|                   |          | Fixed-line, B2B data, High-speed Internet, TV | Subtotal | 616,706         | 2,449,920          | 2,324,389          |
| <b>Other</b>      | Services |   | Export   | 10,655          | 20,798             | 14,049             |
|                   |          |   | Domestic | 286,260         | 1,165,199          | 948,084            |
|                   |          | Display and Search ad., Content               | Subtotal | 296,915         | 1,185,997          | 962,133            |
| Total             |          |   | Export   | 61,650          | 91,197             | 44,577             |
|                   |          |   | Domestic | 4,178,636       | 17,072,619         | 16,557,477         |
|                   |          |   | Total    | 4,240,286       | 17,163,798         | 16,602,054         |

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| For the quarter ended March 31, 2015 | Wireless   | Fixed     | Other     | Sub total  | (Unit: in millions of Won) |                     |
|--------------------------------------|------------|-----------|-----------|------------|----------------------------|---------------------|
|                                      |            |           |           |            | Internal transaction       | After consolidation |
| <b>Total sales</b>                   | 3,773,632  | 760,228   | 475,124   | 5,008,984  | (768,698)                  | 4,240,286           |
| <b>Internal sales</b>                | 446,967    | 143,522   | 178,209   | 768,698    | (768,698)                  |                     |
| <b>External sales</b>                | 3,326,665  | 616,706   | 296,915   | 4,240,286  |                            | 4,240,286           |
| <b>Operating income (loss)</b>       | 412,641    | 17,208    | (27,201)  | 402,648    |                            | 402,648             |
| <b>Profit (loss) for the period</b>  |            |           |           |            |                            | 560,013             |
| <b>Total assets</b>                  | 23,185,052 | 3,446,138 | 3,015,873 | 29,647,063 | (1,822,646)                | 27,824,417          |
| <b>Total liabilities</b>             | 9,677,171  | 2,179,175 | 789,670   | 12,646,016 | 101,250                    | 12,747,266          |

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

Currency swap contracts under cash flow hedge accounting as of March 31, 2015 are as follows.

| Borrowing date | Hedged item   | Hedged risk           | Contract type       | Financial institution               | Duration of contract           |
|----------------|---|-----------------------|---------------------|-------------------------------------|--------------------------------|
| Jul. 20, 2007  | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)      | Foreign currency risk | Cross currency swap | Morgan Stanley and five other banks | Jul. 20, 2007<br>Jul. 20, 2027 |
| Jun. 12, 2012  | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)      | Foreign currency risk | Cross currency swap | Citibank and five other banks       | Jun. 12, 2012<br>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<br>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<br>Nov. 17, 2017 |
| Mar. 7, 2013   |   |                       |                     | DBS Bank                            |                                |

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|               |   |  |                                   |                                   |                                |
|---------------|---|--|-----------------------------------|-----------------------------------|--------------------------------|
|               | 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 |                                   | Mar. 7, 2013<br>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<br>Oct. 26, 2018 |
| Dec. 16, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$86,338,000)                   | Foreign currency risk                        | Cross currency swap               | Deutsche Bank                     | Dec. 16, 2013<br>Apr. 29, 2022 |

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

As of March 31, 2015, 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   |            |   |         |                        | Trading purposes | Total            |
|---|--|------------|---|---------|------------------------|------------------|------------------|
|   | Accumulated gain<br>(loss) on valuation<br>of<br>derivatives | Tax effect | Cash flow hedge                                   |         | Others <sup>(*1)</sup> |                  |                  |
|   |  |            | Foreign currency<br>translation<br>gain<br>(loss) |         |                        |                  |                  |
| <b>Non-current assets:</b>  |  |            |   |         |                        |                  |                  |
| Convertible option <sup>(*2)</sup> (face amounts of Won 100 million)                                  |  |            |   |         |                        | 10,442           | 10,442           |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)      | (37,223)   | (11,884)   | (15,257)  | 129,806 |                        |                  | 65,442           |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)      | 6,648  |            | (371)   |         |                        |                  | 6,277            |
| <b>Total assets</b>   |  |            |   |         |                        |                  | <b>82,161</b>    |
| <b>Non-current liabilities:</b>   |  |            |   |         |                        |                  |                  |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000)      | (6,683)  | (2,134)    | (20,620)  |         |                        |                  | (29,437)         |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)      | (19,681)   | (6,284)    | 10,088  |         |                        |                  | (15,877)         |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000) | 4,779  | 1,526      | (81,472)  |         |                        |                  | (75,167)         |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000)      | (5,848)  | (1,867)    | 6,402   |         |                        |                  | (1,313)          |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$86,338,000)       | (4,152)  | (1,325)    | 4,294   |         |                        |                  | (1,183)          |
| <b>Total liabilities</b>  |  |            |   |         |                        |                  | <b>(122,977)</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.

## 6. Major Contracts [SK Telecom]

| (Unit: in 100 millions of Won) |                        |                  |                   |   |                 |
|--------------------------------|------------------------|------------------|-------------------|---|-----------------|
| Category                       | Vendor                 | Start Date       | Completion Date   | Contract Title  | Contract Amount |
| Goods                          |                        |                  |                   | 2014 B2B GOP Unmanned Security System Installation in eastern Korea | 118             |
|                                | Telcowaare Co.         | January 22, 2015 | December 31, 2015 |   |                 |
| Construction                   |                        |                  |                   | 2014 B2B GOP Unmanned Security System Installation in eastern Korea | 60              |
|                                | Kocom                  | January 9, 2015  | December 31, 2015 |   |                 |
| Equipment                      |                        |                  |                   | 2015 B2B SK Planet Oracle DBMS ULA                                  | 49              |
|                                | Oracle Korea           | January 1, 2015  | December 31, 2017 |   |                 |
| Real Estate                    |                        |                  |                   | Purchase of land (Nowon Kongleung region and two others)            | 36              |
|                                | Individuals            | January 1, 2015  | March 31, 2015    |   |                 |
| Real Estate                    |                        |                  |                   | Namsan Office Building Lease Contract                               | 52              |
|                                | SK Broadband Co., Ltd. | February 1, 2015 | January 31, 2016  |   |                 |
| Subtotal                       |                        |                  |                   |   | 315             |

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

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

| <b>Counterparty</b>                 | <b>Contract Contents</b>                                  | <b>Contract Period</b>                               | <b>Note</b>  |
|-------------------------------------|---|--|--|
| Telecommunication service providers | Interconnection among telecommunication service providers |  | Automatically renewed for two years at a time unless specific amendments are requested |
| KEPCO                               | Provision of electric facilities                          | From Nov. 2014 to Oct. 2015                          | Use of electricity poles   |
| Seoul City Railway                  | Use of telecommunication line conduits                    | From Jan. 2012 to Dec. 2014<br>(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<br>(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<br>(Renewal in progress) | Use of railway telecommunication conduit (Service lease)                               |

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

**[SK Communications]**

| <b>Counterparty</b> | <b>Purpose</b>                               | <b>Contract Period</b> | <b>Contract Amount</b>                          |
|---------------------|--|------------------------|---|
| 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)

**For the quarter**  
**ended March 31, 2015**      **For the year ended December 31,**

| Category   | 2015       | 2014        | 2013        | Remarks |
|--|------------|-------------|-------------|---------|
| Raw material   | 201        | 530         | 38          |         |
| Labor  | 16,655     | 71,224      | 79,865      |         |
| Depreciation   | 36,745     | 176,975     | 158,158     |         |
| Commissioned service   | 8,055      | 67,802      | 22,923      |         |
| Others   | 9,439      | 81,221      | 102,668     |         |
| <br>Total R&D costs  | <br>71,095 | <br>397,752 | <br>363,652 |         |
| Accounting   |            |             |             |         |
| Sales and administrative expenses  | 69,470     | 390,943     | 352,385     |         |
| Development expenses (Intangible assets)                                   | 1,625      | 6,809       | 11,267      |         |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | 1.68%      | 2.32%       | 2.19%       |         |

## 8. Other information relating to investment decisions

### A. Trademark Policies

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

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**B. Business-related Intellectual Property**

**[SK Telecom]**

The Company holds 5,099 Korean-registered patents, 339 U.S.-registered patents, 228 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 932 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

**[SK Broadband]**

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

**[SK Planet]**

As of March 31, 2015, SK Planet held 2,559 registered patents, 112 registered design marks, 1,237 registered trademarks and five copyrights (including those held jointly with other companies) in Korea. It also holds 108 U.S.-registered patents, 86 Chinese-registered patents, 60 Japanese-registered patents, 24 E.U.-registered patents (all including patents held jointly with other companies) and 285 registered trademarks, along with a number of other intellectual property rights, in other countries.

**[SK Communications]**

As of March 31, 2015, SK Communications held 77 registered patents, 26 registered design rights and 700 registered trademarks in Korea.

**C. Business-related Pollutants and Environmental Protection**

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



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

Below is the summary consolidated financial information of the Company as of March 31, 2015, December 31, 2014 and December 31, 2013 and for the quarters ended March 31, 2015 and 2014 and the years ended December 31, 2014 and 2013. The Company's reviewed consolidated financial statements as of March 31, 2015 and December 31, 2014 and for the quarters ended March 31, 2015 and 2014, which are prepared in accordance with K-IFRS, are attached hereto.

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

|   | As of<br>March 31, 2015 | As of<br>December 31, 2014 | As of<br>December 31, 2013 |
|---|-------------------------|----------------------------|----------------------------|
| <b>Assets</b>   |                         |                            |                            |
| Current Assets  | 5,228,504               | 5,083,148                  | 5,123,415                  |
| Cash and Cash Equivalents                               | 740,420                 | 834,429                    | 1,398,639                  |
| Accounts Receivable Trade, net                          | 2,374,763               | 2,392,150                  | 2,257,316                  |
| Accounts Receivable Other, net                          | 670,728                 | 690,527                    | 643,603                    |
| Others  | 1,442,593               | 1,166,042                  | 823,857                    |
| Non-Current Assets                                      | 22,595,913              | 22,858,085                 | 21,453,100                 |
| Long-Term Investment Securities                         | 879,855                 | 956,280                    | 968,527                    |
| Investments in Associates and Joint Ventures            | 6,345,631               | 6,298,088                  | 5,325,297                  |
| Property and Equipment, net                             | 10,404,953              | 10,567,701                 | 10,196,607                 |
| Intangible Assets, net                                  | 2,387,444               | 2,483,994                  | 2,750,782                  |
| Goodwill  | 1,917,365               | 1,917,595                  | 1,733,261                  |
| Others  | 660,665                 | 634,427                    | 478,626                    |
| <b>Total Assets</b>                                     | <b>27,824,417</b>       | <b>27,941,233</b>          | <b>26,576,515</b>          |
| <b>Liabilities</b>                                      |                         |                            |                            |
| Current Liabilities                                     | 5,323,745               | 5,420,310                  | 6,069,220                  |
| Non-Current Liabilities                                 | 7,423,521               | 7,272,653                  | 6,340,738                  |
| <b>Total Liabilities</b>                                | <b>12,747,266</b>       | <b>12,692,963</b>          | <b>12,409,958</b>          |
| <b>Equity</b>   |                         |                            |                            |
| Equity Attributable to Owners of the Parent Company     | 14,345,583              | 14,506,739                 | 13,452,372                 |
| Share Capital   | 44,639                  | 44,639                     | 44,639                     |
| Capital Surplus (Deficit) and Other Capital Adjustments | 277,764                 | 277,998                    | 317,508                    |
| Retained Earnings                                       | 14,029,660              | 14,188,591                 | 13,102,495                 |

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|                                  |            |            |            |
|----------------------------------|------------|------------|------------|
| Reserves                         | (6,480)    | (4,489)    | (12,270)   |
| Non-controlling Interests        | 731,568    | 741,531    | 714,185    |
| Total Equity                     | 15,077,151 | 15,248,270 | 14,166,557 |
| Total Liabilities and Equity     | 27,824,417 | 27,941,233 | 26,576,515 |
| Number of Companies Consolidated | 39         | 40         | 28         |

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

|  | <b>For the quarter<br/>ended March 31,<br/>2015</b> | <b>For the quarter<br/>ended March 31,<br/>2014</b> | <b>For the year ended<br/>December 31,<br/>2014</b> | <b>For the year ended<br/>December 31,<br/>2013</b> |
|--|---|---|---|---|
| Operating Revenue  | 4,240,286   | 4,201,920   | 17,163,798  | 16,602,054  |
| Operating Income   | 402,648   | 252,396   | 1,825,105   | 2,011,109   |
| Profit Before Income Tax   | 560,013   | 332,577   | 2,253,828   | 1,827,101   |
| Profit for the Period  | 442,747   | 267,309   | 1,799,320   | 1,609,549   |
| Profit for the Period<br>Attributable to Owners of the<br>Parent Company | 444,495   | 269,814   | 1,801,178   | 1,638,964   |

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

|   | For the quarter<br>ended March 31,<br>2015 | For the quarter<br>ended March 31,<br>2014 | For the year ended<br>December 31,<br>2014 | For the year ended<br>December 31,<br>2013 |
|---|--|--|--|--|
| Profit for the Period Attributable to Non-controlling Interests | (1,748)                                    | (2,505)                                    | (1,858)                                    | (29,415)                                   |
| Basic Earnings Per Share (Won)                                  | 6,266                                      | 3,804                                      | 25,154                                     | 20,708                                     |
| Diluted Earnings Per Share (Won)                                | 6,266                                      | 3,804                                      | 25,154                                     | 23,211                                     |

**B. Summary Financial Information (Separate)**

Below is the summary separate financial information of the Company as of March 31, 2015, December 31, 2014 and December 31, 2013 and for the quarters ended March 31, 2015 and 2014 and the years ended December 31, 2014 and 2013. The Company's reviewed separate financial statements as of March 31, 2015 and December 31, 2014 and for the quarters ended March 31, 2015 and 2014, which are prepared in accordance with K-IFRS, are attached hereto.

(Unit: in millions of Won)

|   | As of March 31,<br>2015 | As of December 31,<br>2014 | As of December 31,<br>2013 |
|---|-------------------------|----------------------------|----------------------------|
| <b>Assets</b>                                 |                         |                            |                            |
| Current Assets                                | 2,854,093               | 2,689,913                  | 2,817,782                  |
| Cash and Cash Equivalents                     | 143,307                 | 248,311                    | 448,459                    |
| Accounts Receivable Trade, net                | 1,550,930               | 1,559,281                  | 1,513,138                  |
| Accounts Receivable Other, net                | 307,763                 | 305,990                    | 388,475                    |
| Others  | 852,093                 | 576,331                    | 467,710                    |
| Non-Current Assets                            | 19,610,528              | 20,022,549                 | 20,009,637                 |
| Long-Term Investment Securities               | 587,248                 | 608,797                    | 729,703                    |
| Investments in Subsidiaries and Associates    | 8,019,329               | 8,181,769                  | 8,010,121                  |
| Property and Equipment, net                   | 7,555,158               | 7,705,906                  | 7,459,986                  |
| Intangible Assets, net                        | 1,843,259               | 1,928,169                  | 2,239,167                  |
| Goodwill                                      | 1,306,236               | 1,306,236                  | 1,306,236                  |
| Others  | 299,298                 | 291,672                    | 264,424                    |
| Total Assets                                  | 22,464,621              | 22,712,462                 | 22,827,419                 |
| <b>Liabilities</b>                            |                         |                            |                            |
| Current Liabilities                           | 3,558,349               | 3,378,046                  | 4,288,073                  |
| Non-Current Liabilities                       | 5,681,822               | 5,792,195                  | 5,223,938                  |
| Total Liabilities                             | 9,240,171               | 9,170,241                  | 9,512,011                  |
| <b>Equity</b>                                 |                         |                            |                            |
| Share Capital                                 | 44,639                  | 44,639                     | 44,639                     |
| Capital Surplus and Other Capital Adjustments | 433,894                 | 433,894                    | 433,894                    |

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|                              |            |            |            |
|------------------------------|------------|------------|------------|
| Retained Earnings            | 12,694,668 | 12,996,790 | 12,665,699 |
| Reserves                     | 51,249     | 66,898     | 171,176    |
| Total Equity                 | 13,224,450 | 13,542,221 | 13,315,408 |
| Total Liabilities and Equity | 22,464,621 | 22,712,462 | 22,827,419 |

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

|                                     | <b>For the quarter<br/>ended March 31,<br/>2015</b> | <b>For the quarter<br/>ended March 31,<br/>2014</b> | <b>For the year ended<br/>December 31,<br/>2014</b> | <b>For the year ended<br/>December 31,<br/>2013</b> |
|-------------------------------------|---|---|---|---|
| Operating Revenue                   | 3,133,456   | 3,263,703   | 13,012,644  | 12,860,379  |
| Operating Income                    | 407,826   | 251,294   | 1,737,160   | 1,969,684   |
| Profit Before Income Tax            | 378,761   | 195,944   | 1,321,750   | 1,220,797   |
| Profit for the Period               | 295,786   | 153,533   | 1,028,541   | 910,157   |
| Basic Earnings Per Share<br>(Won)   | 4,170   | 2,164   | 14,262  | 12,837  |
| Diluted Earnings Per Share<br>(Won) | 4,170   | 2,164   | 14,262  | 12,837  |

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

Not applicable.

**B. Allowance for Doubtful Accounts**

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

(Unit: in millions of Won)

**For the quarter ended March 31, 2015**

**Allowance for Doubtful**

|                           | <b>Gross amount</b> | <b>Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|-----------------|-------------------|
| Accounts receivable trade | 2,681,428           | 236,771         | 9%                |
| Loans                     | 164,811             | 27,714          | 17%               |
| Accounts receivable other | 751,635             | 77,281          | 10%               |
| Accrued income            | 10,460              |                 | 0%                |
| Guarantee deposits        | 298,899             |                 | 0%                |
| <b>Total</b>              | <b>3,907,233</b>    | <b>341,766</b>  | <b>9%</b>         |

(Unit: in millions of Won)

**For the year ended December 31, 2014**

**Allowance for Doubtful**

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

(Unit: in millions of Won)

**For the year ended December 31, 2013**

**Allowance for**

|                           | <b>Gross amount</b> | <b>Doubtful Accounts</b> | <b>Percentage</b> |
|---------------------------|---------------------|--------------------------|-------------------|
| Accounts receivable trade | 2,495,155           | 224,685                  | 9%                |
| Loans                     | 164,306             | 27,469                   | 17%               |
| Accounts receivable other | 715,405             | 71,802                   | 10%               |

|                    |                  |                |           |
|--------------------|------------------|----------------|-----------|
| Accrued income     | 11,970           | 29             | 0%        |
| Guarantee deposits | 252,148          |                | 0%        |
| <b>Total</b>       | <b>3,638,984</b> | <b>323,985</b> | <b>9%</b> |

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

(Unit: in millions of Won)

|   | For the quarter<br>ended March 31,<br>2015 | For the year ended<br>December 31,<br>2014 | For the year ended<br>December 31,<br>2013 |
|---|--|--|--|
| <b>Beginning balance</b>                    | 328,191                                    | 323,985                                    | 300,668                                    |
| Increase of allowance for doubtful accounts | 13,013                                     | 63,697                                     | 79,330                                     |
| Reversal of allowance for doubtful accounts | (2,154)                                    |  | (359)                                      |
| Write-offs                                  | (4,181)                                    | (89,529)                                   | (76,697)                                   |
| Other                                       | 6,897                                      | 30,039                                     | 21,042                                     |
| <b>Ending balance</b>                       | <b>341,766</b>                             | <b>328,191</b>                             | <b>323,985</b>                             |

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## (3) Policies for Allowance for Doubtful Accounts

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

## (4) Aging of Accounts Receivable

|                     |       | As of March 31, 2015 |               |               |             |            |
|---------------------|-------|----------------------|---------------|---------------|-------------|------------|
|                     |       | Six months or        | From six      | From one year | More than   | Total      |
|                     |       | less                 | months to one | to three      | three years |            |
|                     |       | year                 | years         | years         | years       |            |
|                     |       | Percentage           | Percentage    | Percentage    | Percentage  | Percentage |
| Accounts receivable | trade | 2,441,434            | 42,547        | 130,864       | 66,584      | 2,681,429  |
|                     |       | 91.05%               | 1.59%         | 4.88%         | 2.48%       | 100.0%     |

**C. Inventories**

## (1) Detailed Categories of Inventories

| Account Category  | (Unit: in millions of Won)           |                                      |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
|   | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
| Merchandise   | 272,449                              | 246,738                              | 161,928                              |
| Goods in transit  |                                      |                                      |                                      |
| Other inventories   | 22,596                               | 20,929                               | 15,192                               |
| <b>Total</b>  | <b>295,045</b>                       | <b>267,667</b>                       | <b>177,120</b>                       |
| Percentage of inventories to total assets [ Inventories / Total assets ]                      | 1.06%                                | 0.96%                                | 0.67%                                |
| Inventory turnover [ Cost of sales / { ( Beginning balance of inventories + Ending balance of | 6.98                                 | 7.55                                 | 6.20                                 |

inventories ) / 2 } ]

(2) Reporting of Inventories

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

**D. Fair Value Measurement**

See notes 4(5) to 4(7) and 4(16) of the notes to our audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013 for more information.



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

| <b>Quarter ended March 31, 2015</b> | <b>Year ended December 31, 2014</b> | <b>Year ended December 31, 2013</b> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| KPMG Samjong Accounting Corp.       | KPMG Samjong Accounting Corp.       | KPMG Samjong Accounting Corp.       |

**2. Audit Opinion (Consolidated)**

| <b>Period</b>                | <b>Auditor s opinion</b> | <b>Issues noted</b> |
|------------------------------|--------------------------|---------------------|
| Quarter ended March 31, 2015 |                          |                     |
| Year ended December 31, 2014 | Unqualified              | N/A                 |
| Year ended December 31, 2013 | Unqualified              | N/A                 |

**3. Auditor (Separate)**

| <b>Quarter ended March 31, 2015</b> | <b>Year ended December 31, 2014</b> | <b>Year ended December 31, 2013</b> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| KPMG Samjong Accounting Corp.       | KPMG Samjong Accounting Corp.       | KPMG Samjong Accounting Corp.       |

**4. Audit Opinion (Separate)**

| <b>Period</b>                | <b>Auditor s opinion</b> | <b>Issues noted</b> |
|------------------------------|--------------------------|---------------------|
| Quarter ended March 31, 2015 |                          |                     |
| Year ended December 31, 2014 | Unqualified              | N/A                 |
| Year ended December 31, 2013 | 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, 2015 | KPMG Samjong Accounting Corp. | Semi-annual review<br>Quarterly review<br>Separate financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and other audit task | 1,320,000  | 19,008   |
| Year ended December 31, 2014 | KPMG Samjong Accounting Corp. | Semi-annual review<br>Quarterly review<br>Separate financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and other audit task | 1,280,000  | 17,890   |
| Year ended December 31, 2013 | KPMG Samjong Accounting Corp. | Semi-annual review<br>Quarterly review<br>Separate financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and other audit task | 1,250,000  | 17,796   |

**Table of Contents****B. Non-Audit Services Contract with External Auditors**(Unit: in millions of Won)  
**Service**

| <b>Period</b>                   | <b>Contract date</b> | <b>Service provided</b>       | <b>duration</b>           | <b>Fee</b> |
|---------------------------------|----------------------|-------------------------------|---------------------------|------------|
| Quarter ended<br>March 31, 2015 |                      |                               |                           |            |
| Year ended<br>December 31, 2014 | March 18, 2014       | Due diligence of assets       | March 18-April 2, 2014    | 50         |
|                                 | May 28, 2014         | Tax advice                    | May 28-September 23, 2014 | 42         |
|                                 | June 12, 2014        | Review revised local tax laws | June 12-July14, 2014      | 22         |
| Year ended<br>December 31, 2013 | N/A                  |                               |                           |            |

**6. Change of Independent Auditors**

Not applicable.

**Table of Contents****V. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

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

(As of May 6, 2015)

**Total number  
of persons****Inside directors****Independent directors**

|   |                             |  |
|---|-----------------------------|--|
| 6 | Dong Hyun Jang, Dae Sik Cho | Jae Hyeon Ahn, Dae Shick Oh, Jae Hoon Lee, Jay Young Chung |
|---|-----------------------------|--|

At the 31st General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was elected as an inside director. At the meeting of the Board of Directors held on March 20, 2015, Jay Young Chung was appointed as the chairman of the Board of Directors.

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

| Meeting                               | Date              | Agenda  | Approval   |
|---------------------------------------|-------------------|---|--|
| 371st<br>(the 1st meeting of<br>2015) | February 5, 2015  | <ul style="list-style-type: none"> <li>- Financial statements as of and for the year ended December 31, 2014</li> <li>- Annual business report as of and for the year ended December 31, 2014</li> <li>- Bond offering</li> <li>- Lease contract of Namsan office building with SK Broadband</li> <li>- Report of internal accounting management</li> <li>- Report for the period after the fourth quarter of 2014</li> </ul> | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>Approved as proposed</li> <li>Approved as proposed</li> <li>Approved as proposed</li> </ul> |
| 372nd<br>(the 2nd meeting of<br>2015) | February 24, 2015 | <ul style="list-style-type: none"> <li>- Convocation of the 31st General Meeting of Shareholders</li> <li>- Report of internal accounting management</li> </ul>   | <ul style="list-style-type: none"> <li>Approved as proposed</li> </ul>   |

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|                           |                |  |                      |
|---------------------------|----------------|--|----------------------|
|                           |                | - Election of the representative director                        | Approved as proposed |
|                           |                | - Election of the chairman of the Board of Directors             | Approved as proposed |
| 373rd                     |                | - Election of committee members                                  | Approved as proposed |
| (the 3rd meeting of 2015) | March 20, 2015 | - Financial transactions with affiliated company (SK Securities) | Approved as proposed |
|                           |                | - Comprehensive exchange of shares with SK Broadband             | Approved as proposed |
|                           |                | - Disposal of treasury shares                                    | Approved as proposed |
|                           |                | - Additional investment in Neosnetworks                          | Approved as proposed |
| 374th                     |                | - Reappointment of compliance officer                            | Approved as proposed |
| (the 4th meeting of 2015) | April 23, 2015 | - Provision of funds for management of the 2015 SUPEX meetings   | Approved as proposed |
|                           |                | - Report for the period after the first quarter of 2015          |                      |
| 375th                     |                | - Approval of Share Exchange Agreement with SK Broadband         | Approved as proposed |
| (the 5th meeting of 2015) | May 6, 2015    |  |                      |

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

\* The term of Lim Hyun Jin ended on March 20, 2015.

**Table of Contents****C. Committees within Board of Directors**

## (1) Committee structure (as of May 6, 2015)

## (a) Compensation Review Committee

| Total number<br>of persons | Members          |   | Task                                      |
|----------------------------|------------------|---|---|
|                            | Inside Directors | Independent Directors                       |   |
| 3                          |                  | Jay Young Chung, Jae Hoon Lee, Dae Shick Oh | 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<br>of persons | Members          |  | Task  |
|----------------------------|------------------|--|---|
|                            | Inside Directors | Independent Directors                                      |   |
| 4                          |                  | Jae Hoon Lee, Jay Young Chung, Dae Shick Oh, Jae Hyeon Ahn | Review major investment plans and changes thereto |

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

## (c) Corporate Citizenship Committee

| Total number<br>of persons | Members          |  | Task  |
|----------------------------|------------------|--|---|
|                            | Inside Directors | Independent Directors                        |   |
| 3                          |                  | Jae Hyeon Ahn, Jay Young Chung, Dae Shick Oh | Review guidelines on corporate social responsibility ( CSR ) programs, etc. |

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

## (d) Independent Director Nomination Committee

| Total number<br>of persons | Members          |                             | Task                                |
|----------------------------|------------------|-----------------------------|-------------------------------------|
|                            | Inside Directors | Independent Directors       |                                     |
| 3                          | Dong Hyun Jang   | Jae Hyeon Ahn, Jae Hoon Lee | Nomination of independent directors |

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

(e) Audit Committee

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

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

**2. Audit System**

The Company's Audit Committee consists of three independent directors, Dae Shick Oh, Jae Hoon Lee and Jae Hyeon Ahn.

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Major activities of the Audit Committee as of May 6, 2015 are set forth below.

| <b>Meeting</b>             | <b>Date</b>          | <b>Agenda</b>  | <b>Approval</b>      |
|----------------------------|----------------------|--|----------------------|
| The 1st<br>meeting of 2015 | February 4,<br>2015  | - Report of internal accounting management system  |                      |
|                            |                      | - Review of business and audit results for the second half of 2014 and business and audit plans for 2015 |                      |
|                            |                      | - Evaluation of internal monitoring controls based on the opinion of the members of the Audit Committee  | Approved as proposed |
|                            |                      | - Service contract with SKTCH  | Approved as proposed |
| The 2nd<br>meeting of 2015 | February 23,<br>2015 | - Transactions with INFOSEC Co., Ltd. in the first quarter of 2015                                       | Approved as proposed |
|                            |                      | - Engagement of Independent Auditing Firm for 2015 to 2017   | Approved as proposed |
|                            |                      | - Report on the IFRS audit of fiscal year 2014   |                      |
|                            |                      | - Report on review of 2014 internal accounting management system   |                      |
| The 3rd<br>meeting of 2015 | March 19, 2015       | - Evaluation of internal accounting management system operation  | Approved as proposed |
|                            |                      | - Agenda and document review for the 31st General Meeting of Shareholders                                | Approved as proposed |
|                            |                      | - Auditor's report for fiscal year 2014  | Approved as proposed |
|                            |                      | - Construction of fixed-line and wireless networks in 2015   | Approved as proposed |
| The 4th<br>meeting of 2015 | April 22,<br>2015    | - Contract for payment of customer appreciation gifts in 2015  | Approved as proposed |
|                            |                      | - Transactions with SK C&C Co., Ltd. in the second quarter of 2015                                       | Approved as proposed |
|                            |                      | - Transactions with INFOSEC Co., Ltd. in the second quarter of 2015                                      | Approved as proposed |
|                            |                      | - Transaction with SK Planet Co., Ltd. for VIP program in 2015   | Approved as proposed |
| The 4th<br>meeting of 2015 | April 22,<br>2015    | - Election of the chairman   | Approved as proposed |
|                            |                      | - Purchase of maintenance, repair and operations items from Happynarae Co., Ltd.                         | Approved as proposed |
|                            |                      | - Remuneration for outside auditor for fiscal year 2015  | Approved as proposed |
|                            |                      | - Outside auditor service plan for fiscal year 2015  | Approved as proposed |
|                            |                      | - Audit plan for fiscal year 2015  | Approved as proposed |

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



### 3. Shareholders Exercise of Voting Rights

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

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

| <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. |

**Table of Contents****VII. SHAREHOLDERS**

ø The information below is as based on the shareholder registry as of April 6, 2015, which is the record date for purposes of dissenting on the Share Exchange being conducted in accordance with the procedures for a small-scale share swap.

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

(As of April 6,  
2015)

| Name                     | Relationship                        | Type of share | (Unit: in shares and percentages)          |                    |  |                    |
|--------------------------|-------------------------------------|---------------|--|--------------------|--|--------------------|
|                          |                                     |               | Number of shares owned and ownership ratio |                    | Number of shares owned and ownership ratio |                    |
|                          |                                     |               | Beginning of Period<br>Number of<br>shares | Ownership<br>ratio | End of Period<br>Number of<br>shares       | Ownership<br>ratio |
| SK Holdings Co.,<br>Ltd. | Largest<br>Shareholder              | Common share  | 20,363,452                                 | 25.22              | 20,363,452                                 | 25.22              |
| Tae Won Chey             | Officer of<br>affiliated<br>company | Common share  | 100  | 0.00               | 100  | 0.00               |
| Shin Won Chey            | Officer of<br>affiliated<br>company | Common share  | 4,000                                      | 0.00               | 0  | 0.00               |
| Dong Hyun Jang           | Officer of<br>affiliated<br>company | Common share  | 0  | 0.00               | 251  | 0.00               |
| Sung Min Ha              | Officer of<br>affiliated<br>company | Common share  | 738  | 0.00               | 0  | 0.00               |
| Total                    |                                     | Common share  | 20,368,290                                 | 25.22              | 20,363,803                                 | 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 March 31, 2015, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK E&C Co., Ltd., SK Shipping Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

| <b>Affiliates</b>       | <b>Share Holdings</b> | <b>Book Value (million Won)</b> | <b>Industry</b>  | <b>Description</b> |
|-------------------------|-----------------------|---------------------------------|--|--------------------|
| 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%                 | 470,014                         | 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 March 31, 2015.

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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.

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 March 31, 2015. SK Innovation Co., Ltd. and SK Telecom Co., Ltd. are two such subsidiaries.

**2. Matters Relevant to the Largest Shareholder**

On April 20, 2015, the board of directors of SK Holdings resolved to merge with and into SK C&C Co., Ltd ( SK C&C ) in August 2015, subject to the approval of the respective shareholders of SK Holdings and SK C&C and the receipt of relevant regulatory consents and approvals, among other conditions.

It is expected that the combination of SK C&C's growth potential based on ICT capabilities and SK Holdings resources will lead to an improved financial structure and provide for enhanced capacity to discover new growth engines, thus leading to greater competitiveness of the two companies.

Surviving entity: SK C&C

Name of the surviving entity after the merger: SK Holdings (tentative)

Merger Ratio:

Common share of SK C&C : Common share of SK Holdings = 1 : 0.7367839

Preferred share of SK C&C : Preferred share of SK Holdings = 1 : 1.1102438

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

Changes in shareholdings of the largest shareholder are as follows.

(As of April 6, 2015)

(Unit: in shares and percentages)

| Largest Shareholder | Date of the change in the largest shareholder/<br>Date of change in shareholding | Shares Held      | Holding Ratio | Remarks |
|---------------------|--|------------------|---------------|---------|
|                     |  | January 31, 2012 | 20,366,290    |         |

|                 |            |       |   |
|-----------------|------------|-------|---|
| January 2, 2014 | 20,367,290 | 25.22 | Retirement of Bang Hyung Lee, a former officer of an affiliated company (ownership of 200 shares of the Company)<br>Shin Won Chey, SKC's Chairman, purchased 1,000 shares |
| March 24, 2014  | 20,368,290 | 25.23 | Shin Won Chey, SKC's Chairman, purchased 1,000 shares   |
| January 2, 2015 | 20,364,290 | 25.22 | Shin Won Chey, SKC's Chairman, disposed of 4,000 shares   |
| March 20, 2015  | 20,363,803 | 25.22 | Appointment of CEO Dong Hyun Jang (ownership of 251 shares of the Company), Retirement of Sung Min Ha   |

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

**Table of Contents****4. Distribution of Shares****A. Shareholders with ownership of 5% or more and others**

(As of April 6, 2015)

(Unit: in shares and percentages)

| Rank   | Name (title)             | Number of shares | Common share    |  | Remarks         |
|--|--------------------------|------------------|-----------------|--|-----------------|
|  |                          |                  | Ownership ratio |  |                 |
| 1  | Citibank ADR             | 10,002,593       | 12.39%          |  |                 |
| 2  | SK Holdings              | 20,363,452       | 25.22           |  |                 |
| 3  | SK Telecom               | 9,809,375        | 12.15           |  | Treasury shares |
| 4  | National Pension Service | 6,018,012        | 7.45            |  |                 |
| Shareholdings under the Employee Stock Ownership Program |                          | 4,053            | 0.01            |  |                 |

**B. Shareholder Distribution**

(As of April 6, 2015)

(Unit: in shares and percentages)

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

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

**5. Share Price and Trading Volume in the Last Six Months****A. Domestic Securities Market**

(Unit: in Won and shares)

| Types                             | March 2015 | February 2015 | January 2015 | December 2014 | November 2014 | October 2014 |
|-----------------------------------|------------|---------------|--------------|---------------|---------------|--------------|
| <b>Common stock</b>               |            |               |              |               |               |              |
| <b>Highest</b>                    | 290,500    | 301,000       | 290,000      | 286,500       | 289,500       | 298,500      |
| <b>Lowest</b>                     | 269,000    | 274,000       | 264,000      | 268,000       | 273,500       | 259,000      |
| <b>Monthly transaction volume</b> | 3,612,290  | 2,153,718     | 3,341,160    | 3,359,174     | 2,928,557     | 2,473,022    |

**B. Foreign Securities Market**

(Unit: in U.S. dollars and number of American Depositary Receipts)

| New York Stock Exchange Types | February 2015 | January 2015 | December 2014 | November 2014 | October 2014 |
|-------------------------------|---------------|--------------|---------------|---------------|--------------|
|                               |               |              |               |               |              |

**March  
2015**

|                                   |                |            |            |            |            |            |            |
|-----------------------------------|----------------|------------|------------|------------|------------|------------|------------|
| <b>Depository Receipt</b>         | <b>Highest</b> | 29.30      | 29.76      | 29.27      | 28.59      | 28.91      | 30.62      |
|                                   | <b>Lowest</b>  | 26.22      | 27.65      | 26.78      | 27.01      | 27.64      | 27.26      |
| <b>Monthly transaction volume</b> |                | 14,783,781 | 14,057,769 | 19,189,999 | 18,808,998 | 16,388,729 | 14,654,305 |

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

(As of March 31, 2015)

(Unit: in persons and millions of Won)

| Classification | Number of employees |                    |        | Average service year | Aggregate wage for | Average         | Remarks |
|----------------|---------------------|--------------------|--------|----------------------|--------------------|-----------------|---------|
|                | Regular employees   | Contract employees | Others |                      | the year 2015      | wage per person |         |
| Male           | 3,670               | 60                 |        | 3,730                | 13.6               | 177,144         | 48      |
| Female         | 569                 | 51                 |        | 619                  | 11.6               | 20,448          | 33      |
| Total          | 4,238               | 111                |        | 4,349                | 13.3               | 197,592         | 46      |

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

\* Average wage per person was calculated based on the average number of employees as of March 31, 2015 (Total: 4,336, Male: 3,718 Female: 618)

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

| Classification | Number of Directors | (Unit: in millions of Won) |          |
|----------------|---------------------|----------------------------|----------|
|                |                     | Aggregate Amount           | Approved |
| Directors      | 6                   |                            | 12,000   |

**B. Amount Paid**

(As of March 31, 2015)

(Unit: in millions of Won)

| Classification          | Number of Directors | (Unit: in millions of Won) |                          |
|-------------------------|---------------------|----------------------------|--------------------------|
|                         |                     | Aggregate Amount Paid      | Amount Paid Per Director |
| Insider Directors       | 4                   | 1,381                      | 345                      |
| Independent Directors   | 2                   | 39                         | 19                       |
| Audit Committee Members | 3                   | 58                         | 19                       |
| Total                   | 9                   | 1,478                      |                          |



\* Includes three directors whose terms have expired as of March 31, 2015.

### 3. Individual Compensation of Directors

| (As of March 31,<br>2015) |                                       | (Unit: in millions of Won)   |
|---------------------------|---------------------------------------|------------------------------|
| <b>Name</b>               | <b>Title</b>                          | <b>Aggregate Amount Paid</b> |
| Sung Min Ha               | Chief Executive Officer and President | 716                          |
| Dong Seob Jee             | Head of Strategy & Planning Office    | 527                          |

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

(Unit: in millions of Won)

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

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction date | Base date | Transaction |        |
|-----------------------|--------------|------------|------------------|-----------|-------------|--------|
|                       |              |            |                  |           | items       | amount |
|                       |              |            |                  |           |             |        |

**B. Acquisition and Sale of Securities**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction date | Base date | Transaction |        |
|-----------------------|--------------|------------|------------------|-----------|-------------|--------|
|                       |              |            |                  |           | items       | amount |
|                       |              |            |                  |           |             |        |

**C. Transfer of Assets**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Transferred Assets                    | Details               |                  | Purchase Price | Remarks |
|-----------------------|--------------|---------------------------------------|-----------------------|------------------|----------------|---------|
|                       |              |                                       | Purpose of Transfer   | Date of Transfer |                |         |
| SK Broadband          | Affiliate    | Vehicles and transportation equipment | Disposition of assets | March 17, 2015   | 32             |         |

|           |           |                         |                       |                |    |
|-----------|-----------|-------------------------|-----------------------|----------------|----|
| SK Planet | Affiliate | Machinery and equipment | Disposition of assets | March 31, 2015 | 1  |
| Total     |           |                         |                       |                | 33 |

**D. Transfer of Business**

None.

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

| Name (Corporate name) | Relationship | Investment      | Transaction period                | (Unit: in millions of Won)  |                    |
|-----------------------|--------------|-----------------|-----------------------------------|-----------------------------|--------------------|
|                       |              |                 |                                   | Transaction items           | Transaction amount |
| PS&Marketing          | Affiliate    | Sales/Purchases | January 1, 2015 to March 31, 2015 | Marketing commissions, etc. | 248,290            |

**4. Related Party Transactions**

See note 33 of the notes to our consolidated financial statements attached hereto for more information regarding related party transactions.

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

| Name (Corporate name)       | Relationship | Account category               | Beginning | Change details |          | Ending interest | Remarks |
|-----------------------------|--------------|--------------------------------|-----------|----------------|----------|-----------------|---------|
|                             |              |                                |           | Increase       | Decrease |                 |         |
| Baekmajang and others       | Agency       | Long-term and short-term loans | 82,739    | 61,812         | 63,751   | 80,800          |         |
| Daehan Kanggun BCN Inc.     | Investee     | Long-term loans                | 22,147    |                |          | 22,147          |         |
| Wave City Development, Inc. | Investee     | Short-term loans               | 1,200     | 500            |          | 1,700           |         |

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

None.

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

| <b>Date</b>  | <b>Agenda</b>  | <b>Resolution</b>                                     |
|--|--|---|
| 27th Fiscal Year Meeting of Shareholders<br><br>(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  | Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho) |
|  | - Election of independent directors as Audit Committee members               | Approved (Jay Young Chung, Jae Ho Cho)                |
| 1st Extraordinary Meeting of Shareholders of 2011<br><br>(August 31, 2011) | 1. Approval of the Spin-off Plan   | Approved (Spin-off of SK Planet)                      |
|  | 2. Election of director  | Approved (Jun Ho Kim)                                 |
| 28th Fiscal Year Meeting of Shareholders<br><br>(March 23, 2012)           | 1. Approval of the financial statements for the year ended December 31, 2011 | Approved (Cash dividend, Won 8,400 per share)         |
|  | 2. Amendment to Articles of Incorporation                                    | Approved  |
|  | 3. Election of directors   |   |
|  | - Election of an inside director   | Approved (Young Tae Kim)                              |
|  | - Election of an inside director   | Approved (Dong Seob Jee)                              |
|  | - Election of an independent director  | Approved (Hyun Chin Lim)                              |
|  | 4. Election of an independent director as Audit Committee member             | Approved (Hyun Chin Lim)                              |
|  | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                             |

|   |  |   |
|---|--|---|
| 29th Fiscal Year Meeting of Shareholders (March 22, 2013) | 1. Approval of the financial statements for the year ended December 31, 2012 | Approved (Cash dividend, Won 8,400 per share) |
|   | 2. Amendments to Articles of Incorporation                                   | Approved                                      |
|   | 3. Election of directors   |   |
|   | - Election of an inside director   | Approved (Dae Sik Cho)                        |
|   | - Election of an independent director  | Approved (Dae Shick Oh)                       |
|   | 4. Election of an independent director as Audit Committee member             | Approved (Dae Shick Oh)                       |
|   | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                     |
|   |  |   |
| 30th 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                                   | Approved                                      |
|   | 3. Election of directors   |   |
|   | - Election of an inside director   | Approved (Sung Min Ha)                        |
|   | - Election of an independent director  | Approved (Jay Young Chung)                    |
|   | - Election of an independent director  | Approved (Jae Hoon Lee)                       |
|   | - Election of an independent director  | Approved (Jae Hyeon Ahn)                      |
|   | 4. Election of an independent director as Audit Committee member             | Approved (Jae Hyeon Ahn)                      |
|   | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                     |

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| <b>Date</b>   | <b>Agenda</b>  | <b>Resolution</b>                             |
|---|--|---|
| 31st Fiscal Year Meeting of Shareholders (March 20, 2015) | 1. Approval of the financial statements for the year ended December 31, 2014 | Approved (Cash dividend, Won 8,400 per share) |
|   | 2. Amendments to Articles of Incorporation                                   | Approved                                      |
|   | 3. Election of directors   |   |
|   | - Election of an inside director   | Approved (Dong Hyun Jang)                     |
|   | 4. Election of an independent director as Audit Committee member             | Approved (Jae Hoon Lee)                       |
|   | 5. Approval of remuneration limit for directors                              | Approved (Won 12 billion)                     |

## 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, and on January 15, 2015, the Supreme Court of Korea affirmed the Seoul High Court s decision. There is no impact on the Company s business or results of operation as the final outcome of this litigation has been rendered in favor of the Company.

#### B. Other Matters

None.

### [SK Broadband]

#### A. Material Legal Proceedings

(1) SK Broadband as the plaintiff

| <b>Description of Proceedings</b> | <b>Date of Commencement of Proceedings</b> | <b>Amount of Claim</b> |               |
|-----------------------------------|--|------------------------|---------------|
|                                   |  | <b>Amount</b>          | <b>Status</b> |
|                                   | March 2014                                 | 353,403                |               |

(Unit: in thousands of Won)

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|  |              |                  |                                   |
|--|--------------|------------------|-----------------------------------|
| Damages claim against<br>Welcome Savings Bank            |              |                  | Pending before district<br>court  |
| Dispute to dismiss an order to<br>compensate for damages | October 2014 | 715,121          | Pending before district<br>court  |
| Damages claim against Golden<br>Young and others         | April 2011   | 908,166          | Pending before<br>appellate court |
| Others   |              | 86,458           |                                   |
| <b>Total</b>   |              | <b>2,063,148</b> |                                   |



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## (2) SK Broadband as the defendant

(Unit: in thousands of Won)

| Description of Proceedings                        | Date of Commencement of Proceedings | Amount of Claim  | Status                        |
|---|-------------------------------------|------------------|-------------------------------|
| Damages claim by Haein Networks Co., Ltd.         | March 2013                          | 101,000          | Pending before district court |
| Damages claim by Mag Telecom Co., Ltd. and others | January 2012                        | 606,000          | Pending before district court |
| Damages claim by GT Com Co., Ltd.                 | March 2014                          | 101,000          | Pending before district court |
| Others  |                                     | 368,005          |                               |
| <b>Total</b>                                      |                                     | <b>1,176,005</b> |                               |

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 1,775 million to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 11.7 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 March 31, 2015, there was one pending proceeding with SK Planet as the defendant and the aggregate amount of the claim was Won 520,000. 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 March 31, 2015, the aggregate amount of claims was Won 2.1 billion. The Company successfully defended some but not all suits relating to a leak of personal information of subscribers of NATE. Relevant proceedings remain pending at various courts in Korea. The management cannot reasonably forecast the outcome of the pending proceedings, and as a result, adjustments were not made in the financial statements of the Company. The Company does not believe that the outcome of any of the proceedings in which SK Communications is named as a defendant will have a material effect on the Company's financial statements.

**B. Other Contingent Liabilities**

The material payment guarantees provided by third parties to SK Communications as of March 31, 2015 are set forth in the table below.

| (Unit: in thousands of Won)       |  |         |
|-----------------------------------|--|---------|
| Financial Institution             | Guarantee  | Amount  |
| Seoul Guarantee Insurance Company | Prepaid coverage payment guarantee                       | 700,000 |
| Seoul Guarantee Insurance Company | Provisional deposit guarantee insurance for bonds        | 863,000 |
| Seoul Guarantee Insurance Company | Support for production and publication of cartoon series | 160,000 |
| Seoul Guarantee Insurance Company | Provisional deposit guarantee insurance for bonds        | 180,000 |

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**[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.

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

**[SK Telecom]**

On March 14, 2012, the Company received a correctional order from the Fair Trade Commission of Korea for an alleged violation of Article 23 of the Fair Trade Act relating to the handset subsidy practice and distribution of handsets and was imposed a fine of 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 appealed the decision, and the case is currently pending before the Supreme Court of Korea.

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

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

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

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

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

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

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

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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.

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.

On December 4, 2014, the Korea Communications Commission imposed on the Company a fine of Won 800 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act. The Company paid the

fine and completed the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order by January 2015.

On March 12, 2015, the Korea Communications Commission imposed on the Company a fine of Won 934 million and issued a correctional order for violating the Mobile Device Distribution Improvement Act with respect to the Company's compensation programs for used handsets. The Company 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 2015.

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On March 26, 2015, the Korea Communications Commission imposed on the Company a fine of Won 23.5 billion, imposed a suspension on acquiring new customers for seven days, and issued a correctional order for violating the Mobile Device Distribution Improvement Act. The Company paid the fine and implemented the improvement of the procedures and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in May 2015. The Company plans to acquire new customers thereafter.

On May 13, 2015, the Korea Communications Commission imposed on the Company a fine of Won 3.56 billion and issued a correctional order for violating its obligations to protect personal information. The Company plans to pay the fine and implement the improvement of the procedures and report to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in the future.

**[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.

(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.

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



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

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

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

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

(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

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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.

**4. Important Matters That Occurred After March 31, 2015**  
**[SK Broadband]**

On May 6, 2015, the Share Exchange and the voluntary delisting of SK Broadband from the KRX KOSDAQ Market were approved at the extraordinary meeting of shareholders.

**5. Use of Proceeds**

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

Not applicable.

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

(As of March 31, 2015)

(Unit: in millions of Won)

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

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

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

Condensed Consolidated Interim Financial Statements

(Unaudited)

**March 31, 2015 and 2014**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

**Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of March 31, 2015, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

**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 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 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 Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

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**Other matters**

The consolidated statement of financial position of the Group as of December 31, 2014, 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 in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2015, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2014, 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  
May 8, 2015

This report is effective as of May 8, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.



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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of March 31, 2015 and December 31, 2014

| <i>(In millions of won)</i>                  | Note          | March 31,<br>2015   | December 31,<br>2014 |
|--|---------------|---------------------|----------------------|
| <b>Assets</b>                                |               |                     |                      |
| <b>Current Assets:</b>                       |               |                     |                      |
| Cash and cash equivalents                    | 31,32         | ₩ 740,420           | 834,429              |
| Short-term financial instruments             | 5,31,32,33,34 | 313,972             | 313,068              |
| Short-term investment securities             | 8,31,32       | 310,105             | 280,161              |
| Accounts receivable - trade, net             | 6,31,32,33    | 2,374,763           | 2,392,150            |
| Short-term loans, net                        | 6,31,32,33    | 78,247              | 74,512               |
| Accounts receivable - other, net             | 6,31,32,33    | 670,728             | 690,527              |
| Prepaid expenses                             |               | 135,902             | 134,404              |
| Inventories, net                             | 7,34          | 295,045             | 267,667              |
| Assets classified as held for sale           | 9             | 174,307             | 10,510               |
| Advanced payments and other                  | 6,8,31,32,33  | 135,015             | 85,720               |
| <b>Total Current Assets</b>                  |               | <b>5,228,504</b>    | <b>5,083,148</b>     |
| <b>Non-Current Assets:</b>                   |               |                     |                      |
| Long-term financial instruments              | 5,31,32,34    | 635                 | 631                  |
| Long-term investment securities              | 8,31,32       | 879,855             | 956,280              |
| Investments in associates and joint ventures | 10            | 6,345,631           | 6,298,088            |
| Property and equipment, net                  | 11,33,34      | 10,404,953          | 10,567,701           |
| Investment property, net                     | 12            | 15,052              | 14,997               |
| Goodwill                                     | 13            | 1,917,365           | 1,917,595            |
| Intangible assets, net                       | 14            | 2,387,444           | 2,483,994            |
| Long-term loans, net                         | 6,31,32,33    | 58,850              | 55,728               |
| Long-term accounts receivable - other        | 6,31,32       | 3,626               | 3,596                |
| Long-term prepaid expenses                   | 34            | 53,085              | 51,961               |
| Guarantee deposits                           | 5,6,31,32,33  | 294,541             | 285,144              |
| Long-term derivative financial assets        | 20,31,32      | 82,161              | 70,035               |
| Deferred tax assets                          | 29            | 24,426              | 25,083               |
| Other non-current assets                     | 6,31,32       | 128,289             | 127,252              |
| <b>Total Non-Current Assets</b>              |               | <b>22,595,913</b>   | <b>22,858,085</b>    |
| <b>Total Assets</b>                          |               | <b>₩ 27,824,417</b> | <b>27,941,233</b>    |

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



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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of March 31, 2015 and December 31, 2014

| <i>(In millions of won)</i>                          | Note     | March 31,<br>2015 | December 31,<br>2014 |
|--|----------|-------------------|----------------------|
| <b>Liabilities and Equity</b>                        |          |                   |                      |
| <b>Current Liabilities:</b>                          |          |                   |                      |
| Short-term borrowings                                | 15,31,32 | ₩ 392,362         | 366,600              |
| Current installments of long-term debt, net          | 15,31,32 | 550,986           | 590,714              |
| Current installments of finance lease liabilities    | 18,31,32 | 2,791             | 3,804                |
| Current installments of long-term payables other     | 16,31,32 | 121,534           | 189,389              |
| Accounts payable - trade                             | 31,32,33 | 299,432           | 275,495              |
| Accounts payable - other                             | 31,32,33 | 1,659,637         | 1,381,850            |
| Withholdings   | 31,32,33 | 840,289           | 1,053,063            |
| Accrued expenses                                     | 31,32    | 789,185           | 952,418              |
| Income tax payable                                   | 29       | 216,110           | 99,236               |
| Unearned revenue                                     |          | 295,785           | 327,003              |
| Provisions   | 17       | 37,906            | 51,075               |
| Advanced receipts                                    |          | 117,728           | 129,255              |
| Liabilities classified as held for sale              | 9        |                   | 408                  |
| <b>Total Current Liabilities</b>                     |          | <b>5,323,745</b>  | <b>5,420,310</b>     |
| <b>Non-Current Liabilities:</b>                      |          |                   |                      |
| Debentures, excluding current installments, net      | 15,31,32 | 5,894,149         | 5,649,158            |
| Long-term borrowings, excluding current installments | 15,31,32 | 148,115           | 149,720              |
| Long-term payables other                             | 16,31,32 | 566,386           | 684,567              |
| Long-term unearned revenue                           |          | 10,519            | 19,659               |
| Finance lease liabilities                            | 18,31,32 |                   | 26                   |
| Defined benefit liabilities                          | 19       | 127,815           | 91,587               |
| Long-term derivative financial liabilities           | 20,31,32 | 122,977           | 130,889              |
| Long-term provisions                                 | 17       | 29,821            | 36,013               |
| Deferred tax liabilities                             | 29       | 455,495           | 444,211              |
| Other non-current liabilities                        | 31,32    | 68,244            | 66,823               |
| <b>Total Non-Current Liabilities</b>                 |          | <b>7,423,521</b>  | <b>7,272,653</b>     |
| <b>Total Liabilities</b>                             |          | <b>12,747,266</b> | <b>12,692,963</b>    |
| <b>Equity</b>  |          |                   |                      |
| Share capital  | 1,21     | 44,639            | 44,639               |

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|  |          |                     |                   |
|--|----------|---------------------|-------------------|
| Capital surplus and other capital adjustments              | 21,22,23 | 277,764             | 277,998           |
| Retained earnings  | 24       | 14,029,660          | 14,188,591        |
| Reserves   | 25       | (6,480)             | (4,489)           |
| <b>Equity attributable to owners of the Parent Company</b> |          | <b>14,345,583</b>   | <b>14,506,739</b> |
| <b>Non-controlling interests</b>                           |          | <b>731,568</b>      | <b>741,531</b>    |
| <b>Total Equity</b>  |          | <b>15,077,151</b>   | <b>15,248,270</b> |
| <b>Total Liabilities and Equity</b>                        |          | <b>₩ 27,824,417</b> | <b>27,941,233</b> |

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won except for per share data)</i>                            | Note   | March 31,<br>2015 | March 31,<br>2014 |
|--|--------|-------------------|-------------------|
| <b>Operating revenue:</b>  | 4,33   |                   |                   |
| Revenue  |        | ₩ 4,240,286       | 4,201,920         |
| <b>Operating expense:</b>  | 33     |                   |                   |
| Labor cost   |        | 474,981           | 429,139           |
| Commissions paid   |        | 1,347,130         | 1,627,643         |
| Depreciation and amortization  | 4      | 692,588           | 655,828           |
| Network interconnection  |        | 234,252           | 275,797           |
| Leased line  |        | 102,997           | 106,161           |
| Advertising  |        | 76,986            | 85,350            |
| Rent   |        | 122,451           | 109,200           |
| Cost of products that have been resold   |        | 490,932           | 335,697           |
| Other operating expenses   | 26     | 295,321           | 324,709           |
|  |        | 3,837,638         | 3,949,524         |
| <b>Operating income</b>  | 4      | <b>402,648</b>    | <b>252,396</b>    |
| Finance income   | 4,28   | 34,726            | 41,089            |
| Finance costs  | 4,28   | (83,827)          | (89,874)          |
| Gains related to investments in subsidiaries, associates and joint ventures, net | 1,4,10 | 244,257           | 145,055           |
| Other non-operating income   | 4,27   | 10,339            | 19,843            |
| Other non-operating expenses   | 4,27   | (48,130)          | (35,932)          |
| <b>Profit before income tax</b>  | 4      | <b>560,013</b>    | <b>332,577</b>    |
| Income tax expense   | 29     | 117,266           | 65,268            |
| <b>Profit for the period</b>   |        | <b>₩ 442,747</b>  | <b>267,309</b>    |
| Attributable to:   |        |                   |                   |
| Owners of the Parent Company   |        | ₩ 444,495         | 269,814           |
| Non-controlling interests  |        | (1,748)           | (2,505)           |
| <b>Earnings per share</b>  | 30     |                   |                   |
| Basic earnings per share (in won)  |        | ₩ 6,266           | 3,804             |

|                                     |   |       |       |
|-------------------------------------|---|-------|-------|
| Diluted earnings per share (in won) | ₩ | 6,266 | 3,804 |
|-------------------------------------|---|-------|-------|

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>  | Note  | March 31,<br>2015 | March 31,<br>2014 |
|--|-------|-------------------|-------------------|
| <b>Profit for the period</b>   |       | <b>₩ 442,747</b>  | <b>267,309</b>    |
| <b>Other comprehensive income (loss)</b>   |       |                   |                   |
| <b>Items that will never be reclassified to profit or loss, net of taxes:</b>              |       |                   |                   |
| Remeasurement of defined benefit liabilities   | 19    | (8,619)           | (4,153)           |
| <b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b> |       |                   |                   |
| Net change in unrealized fair value of available-for-sale financial assets                 | 25    | (18,119)          | (14,116)          |
| Net change in other comprehensive income of investments in associates and joint ventures   | 25    | 4,445             | (831)             |
| Net change in unrealized fair value of derivatives   | 20,25 | 11,648            | 4,620             |
| Foreign currency translations differences for foreign operations                           | 25    | 1,131             | 1,607             |
| <b>Other comprehensive loss for the period, net of taxes</b>                               |       | <b>(9,514)</b>    | <b>(12,873)</b>   |
| <b>Total comprehensive income</b>  |       | <b>₩ 433,233</b>  | <b>254,436</b>    |
| Total comprehensive income attributable to:  |       |                   |                   |
| Owners of the Parent Company   |       | ₩ 434,943         | 257,120           |
| Non-controlling interests  |       | (1,710)           | (2,684)           |

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2015 and 2014

*(In millions of won)*

|   | Controlling Interest |   |                   |          | Sub-total  | Non-controlling interests | Total equity |
|---|----------------------|---|-------------------|----------|------------|---------------------------|--------------|
|   | Share capital        | Capital surplus (deficit) and other capital adjustments | Retained earnings | Reserves |            |                           |              |
| <b>Balance, January 1, 2014</b>           | ₩ 44,639             | 317,508   | 13,102,495        | (12,270) | 13,452,372 | 714,185                   | 14,166,557   |
| Cash dividends                            |                      |   | (595,865)         |          | (595,865)  | (170)                     | (596,035)    |
| Total comprehensive income                |                      |   |                   |          |            |                           |              |
| Profit (loss) for the period              |                      |   | 269,814           |          | 269,814    | (2,505)                   | 267,309      |
| Other comprehensive loss                  |                      |   | (3,870)           | (8,824)  | (12,694)   | (179)                     | (12,873)     |
|   |                      |   | 265,944           | (8,824)  | 257,120    | (2,684)                   | 254,436      |
| Changes in ownership in subsidiaries      |                      | (141)   |                   |          | (141)      | 141                       |              |
| <b>Balance, March 31, 2014</b>            | ₩ 44,639             | 317,367   | 12,772,574        | (21,094) | 13,113,486 | 711,472                   | 13,824,958   |
| <b>Balance, January 1, 2015</b>           | ₩ 44,639             | 277,998   | 14,188,591        | (4,489)  | 14,506,739 | 741,531                   | 15,248,270   |
| Cash dividends                            |                      |   | (595,865)         |          | (595,865)  | (143)                     | (596,008)    |
| Total comprehensive income                |                      |   |                   |          |            |                           |              |
| Profit (loss) for the period              |                      |   | 444,495           |          | 444,495    | (1,748)                   | 442,747      |
| Other comprehensive income (loss)         |                      |   | (7,561)           | (1,991)  | (9,552)    | 38                        | (9,514)      |
|   |                      |   | 436,934           | (1,991)  | 434,943    | (1,710)                   | 433,233      |
| Changes in consolidation scope            |                      |   |                   |          |            | (5,226)                   | (5,226)      |
| Business combination under common control |                      | (114)   |                   |          | (114)      |                           | (114)        |



|                                      |  |       |  |       |         |         |
|--------------------------------------|--|-------|--|-------|---------|---------|
| Changes in ownership in subsidiaries |  | (120) |  | (120) | (2,884) | (3,004) |
|--------------------------------------|--|-------|--|-------|---------|---------|

|                                |                 |                |                   |                |                   |                |                   |
|--------------------------------|-----------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
| <b>Balance, March 31, 2015</b> | <b>₩ 44,639</b> | <b>277,764</b> | <b>14,029,660</b> | <b>(6,480)</b> | <b>14,345,583</b> | <b>731,568</b> | <b>15,077,151</b> |
|--------------------------------|-----------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>  | <b>Note</b> | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|--|-------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities:</b>                           |             |                           |                           |
| Cash generated from operating activities                               |             |                           |                           |
| Profit for the period  |             | ₩ 442,747                 | 267,309                   |
| Adjustments for income and expenses                                    | 35          | 706,189                   | 724,273                   |
| Changes in assets and liabilities related to operating activities      | 35          | (634,832)                 | (564,642)                 |
| Sub-total  |             | 514,104                   | 426,940                   |
| Interest received  |             | 10,598                    | 12,873                    |
| Dividends received   |             | 1                         | 130                       |
| Interest paid  |             | (68,711)                  | (71,747)                  |
| Income tax refund received   |             | 9,620                     | 21,250                    |
| <b>Net cash provided by operating activities</b>                       |             | <b>465,612</b>            | <b>389,446</b>            |
| <b>Cash flows from investing activities:</b>                           |             |                           |                           |
| Cash inflows from investing activities:                                |             |                           |                           |
| Decrease in short-term financial instruments, net                      |             |                           | 21,558                    |
| Decrease in short-term investment securities, net                      |             |                           | 25,000                    |
| Collection of short-term loans   |             | 61,742                    | 58,035                    |
| Decrease in long-term financial instruments                            |             | 2,522                     |                           |
| Proceeds from disposal of long-term investment securities              |             | 102,346                   | 12,715                    |
| Proceeds from disposal of investments in associates and joint ventures |             |                           | 4                         |
| Proceeds from disposal of property and equipment                       |             | 3,346                     | 2,200                     |
| Proceeds from disposal of intangible assets                            |             | 551                       | 1,386                     |
| Proceeds from disposal of assets held for sale                         |             | 989                       |                           |
| Collection of long-term loans  |             | 772                       | 1,249                     |
| Decrease of deposits   |             | 3,258                     | 3,373                     |
| Proceeds from disposal of other non-current assets                     |             | 18                        |                           |
| Acquisition of business, net of cash acquired                          |             | 10,148                    |                           |
| Sub-total  |             | 185,692                   | 125,520                   |
| Cash outflows for investing activities:                                |             |                           |                           |
| Increase in short-term financial instruments, net                      |             | (899)                     |                           |
| Increase in short-term investment securities, net                      |             | (59,842)                  |                           |
| Increase in short-term loans   |             | (60,113)                  | (63,651)                  |
| Increase in long-term loans  |             | (9,072)                   | (1,609)                   |
| Increase in long-term financial instruments                            |             | (2,528)                   |                           |

|   |                    |                  |
|---|--------------------|------------------|
| Acquisition of long-term investment securities              | (15,222)           | (1,617)          |
| Acquisition of investments in associates and joint ventures | (19,987)           | (20,738)         |
| Acquisition of property and equipment                       | (578,834)          | (627,528)        |
| Acquisition of intangible assets                            | (19,193)           | (19,360)         |
| Increase in deposits  | (6,907)            |                  |
| Increase in other non-current assets                        | (2,678)            | (2)              |
| Sub-total   | (775,275)          | (734,505)        |
| <b>Net cash used in investing activities</b>                | <b>₩ (589,583)</b> | <b>(608,985)</b> |

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>                                   | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|---|---------------------------|---------------------------|
| <b>Cash flows from financing activities:</b>                  |                           |                           |
| Cash inflows from financing activities:                       |                           |                           |
| Proceeds from short-term borrowings, net                      | ₩ 25,762                  | 506,000                   |
| Proceeds from issuance of debentures                          | 507,799                   |                           |
| Proceeds from long-term borrowings                            |                           | 3,552                     |
| Changes in ownership in subsidiaries                          | 46                        |                           |
| <b>Sub-total</b>  | <b>533,607</b>            | <b>509,552</b>            |
| Cash outflows for financing activities:                       |                           |                           |
| Repayments of long-term account payables-other                | (190,280)                 | (207,668)                 |
| Repayments of debentures                                      | (310,000)                 | (406,149)                 |
| Repayments of long-term borrowings                            | (2,168)                   | (2,492)                   |
| Payments of finance lease liabilities                         | (983)                     | (5,099)                   |
| <b>Sub-total</b>  | <b>(503,431)</b>          | <b>(621,408)</b>          |
| <b>Net cash provided by (used in) financing activities</b>    | <b>30,176</b>             | <b>(111,856)</b>          |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(93,795)</b>           | <b>(331,395)</b>          |
| Cash and cash equivalents at beginning of the period          | 834,429                   | 1,398,639                 |
| Effects of exchange rate changes on cash and cash equivalents | (214)                     | 110                       |
| <b>Cash and cash equivalents at end of the period</b>         | <b>₩ 740,420</b>          | <b>1,067,354</b>          |

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

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

SK Telecom Co., Ltd. ( the Parent Company ) was incorporated in March 1984 under the laws of the Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Parent Company mainly provides wireless telecommunications in Korea. The Parent Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of March 31, 2015, the Parent Company's total issued shares are held by the following:

|   | <b>Number of<br/>shares</b> | <b>Percentage of<br/>total shares issued (%)</b> |
|---|-----------------------------|--|
| 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 March 31, 2015 and December 31, 2014 is as follows:

| <b>Subsidiary</b>           | <b>Location</b> | <b>Primary business</b>                | <b>Ownership (%)</b>      |                              |
|-----------------------------|-----------------|--|---------------------------|------------------------------|
|                             |                 |  | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
| SK Telink Co., Ltd.         | Korea           | Telecommunication and MVNO service     | 83.5                      | 83.5                         |
| M&Service Co., Ltd.         | Korea           | Data base and internet website service | 100.0                     | 100.0                        |
| SK Communications Co., Ltd. | Korea           | Internet website services              | 64.6                      | 64.6                         |

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|   |       |                                       |       |       |
|---|-------|---------------------------------------|-------|-------|
| 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.(*1)              | Korea | Telecommunication services            | 50.6  | 50.6  |
| K-net Culture and Contents Venture Fund | Korea | Investment association                | 59.0  | 59.0  |
| Fitech Focus Limited Partnership II     | Korea | Investment association                | 66.7  | 66.7  |
| Open Innovation Fund                    | Korea | Investment association                | 98.9  | 98.9  |
| PS&Marketing Corporation                | Korea | Communications device retail business | 100.0 | 100.0 |
| Service Ace Co., Ltd.                   | Korea | Customer center management service    | 100.0 | 100.0 |
| Service Top Co., Ltd.                   | Korea | Customer center management service    | 100.0 | 100.0 |
| Network O&S Co., Ltd.                   | Korea | Base station maintenance service      | 100.0 | 100.0 |
| BNCP Co., Ltd.                          | Korea | Internet website services             | 100.0 | 100.0 |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

The list of subsidiaries as of March 31, 2015 and December 31, 2014 is as follows, Continued:

| Subsidiary                             | Location  | Primary business  | Ownership (%)  |                   |
|--|-----------|---|----------------|-------------------|
|  |           |   | March 31, 2015 | December 31, 2014 |
| Iconcube Holdings, Inc.                | Korea     | Investment association  | 100.0          | 100.0             |
| Iconcube, Inc.                         | Korea     | Internet website services   | 100.0          | 100.0             |
| SK Planet Co., Ltd.                    | Korea     | Telecommunication service   | 100.0          | 100.0             |
| Neosnetworks Co., Ltd.(*2)             | Korea     | Guarding of facilities  | 66.7           | 66.7              |
| IRIVER LIMITED(*3)                     | Korea     | Manufacturing digital audio players and other portable media devices. | 49.0           | 49.0              |
| Iriver CS Co., Ltd.(*4)                | Korea     | After-sales service and logistics agency                              |                | 100.0             |
| iriver Enterprise Ltd.                 | Hong Kong | Management of Chinese subsidiary                                      | 100.0          | 100.0             |
| iriver America Inc.                    | USA       | Marketing and sales in North America                                  | 100.0          | 100.0             |
| iriver Inc.                            | USA       | Marketing and sales in North America                                  | 100.0          | 100.0             |
| iriver China Co., Ltd.                 | China     | Sales and manufacturing MP3,4 in China                                | 100.0          | 100.0             |
| Dongguan iriver Electronics Co., Ltd.  | China     | Sales and manufacturing e-book in China                               | 100.0          | 100.0             |
| Groovers JP Ltd.(*4)                   | Japan     | Digital music contents sourcing and distribution service              | 100.0          |                   |
| SK Telecom China Holdings Co., Ltd.    | China     | Investment association  | 100.0          | 100.0             |
| Shenzhen E-eye High Tech Co., Ltd.(*4) | China     | Manufacturing   |                | 65.5              |
|  |           | Investment association  | 100.0          | 100.0             |

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|  |           |  |       |       |
|--|-----------|--|-------|-------|
| SK Global Healthcare Business Group., Ltd.           | Hong Kong |  |       |       |
| SK Planet Japan, K. K.                               | 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 Technology Innovation Partners, LP. | Cayman    | Investment association                                   | 100.0 | 100.0 |
| USA  | USA       | Investment association                                   | 100.0 | 100.0 |
| SK Telecom China Fund I L.P.                         | Cayman    | Investment association                                   | 100.0 | 100.0 |
| shopkick Management Company, Inc.                    | USA       | Investment association                                   | 95.2  | 95.2  |
| shopkick, Inc.                                       | USA       | Mileage-based online transaction application development | 100.0 | 100.0 |



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity, Continued**

(2) List of subsidiaries, Continued

(\*1) On March 20, 2014, the Board of Directors of the Parent Company decided to grant 0.0168936 share of its treasury stock in exchange for 1 share of SK Broadband Co., Ltd., a subsidiary of the Parent Company, to the shareholders of SK Broadband Co., Ltd. as of June 9, 2015. After the stock exchange, SK Broadband Co., Ltd. will become a wholly-owned subsidiary of the Parent Company.

(\*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.

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

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity, Continued**

## (3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the three-month period ended March 31, 2015 is as follows:

*(In millions of won)*

| <b>Subsidiary</b>                          | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>equity</b> | <b>Revenue</b> | <b>Profit<br/>(loss)</b> |
|--|-------------------------|------------------------------|-------------------------|----------------|--------------------------|
| SK Telink Co., Ltd.                        | ₩ 322,637               | 173,122                      | 149,515                 | 114,504        | 11,330                   |
| M&Service Co., Ltd.                        | 68,471                  | 26,029                       | 42,442                  | 29,908         | 926                      |
| SK Communications Co., Ltd.                | 170,206                 | 39,991                       | 130,215                 | 20,614         | (3,965)                  |
| Stonebridge Cinema Fund                    | 12,136                  | 323                          | 11,813                  |                | 997                      |
| Commerce Planet Co., Ltd.                  | 27,182                  | 27,662                       | (480)                   | 25,390         | 713                      |
| SK Broadband Co., Ltd.                     | 3,123,500               | 2,006,053                    | 1,117,447               | 645,725        | (4,816)                  |
| K-net Culture and Contents Venture Fund    | 20,969                  |                              | 20,969                  |                | (120)                    |
| Fitech Focus Limited Partnership II        | 18,806                  |                              | 18,806                  |                | (495)                    |
| Open Innovation Fund                       | 21,063                  |                              | 21,063                  |                | (702)                    |
| PS&Marketing Corporation                   | 535,029                 | 327,857                      | 207,172                 | 492,324        | (899)                    |
| Service Ace Co., Ltd.                      | 65,458                  | 36,977                       | 28,481                  | 53,439         | 1,189                    |
| Service Top Co., Ltd.                      | 58,434                  | 37,942                       | 20,492                  | 48,912         | 1,797                    |
| Network O&S Co., Ltd.                      | 61,509                  | 34,223                       | 27,286                  | 45,501         | 1,716                    |
| BNCP Co., Ltd.                             | 5,775                   | 5,351                        | 424                     | 2,723          | (473)                    |
| Iconcube Holdings, Inc.(*1)                | 1,279                   | 493                          | 786                     | 463            | 114                      |
| SK Planet Co., Ltd.                        | 2,463,489               | 638,353                      | 1,825,136               | 369,136        | (13,765)                 |
| Neosnetworks Co., Ltd.                     | 38,983                  | 22,221                       | 16,762                  | 10,119         | (1,551)                  |
| IRIVER LIMITED(*2)                         | 61,062                  | 13,360                       | 47,702                  | 12,830         | 179                      |
| SK Telecom China Holdings Co., Ltd.        | 30,947                  | 1,100                        | 29,847                  | 1,700          | (15,165)                 |
| SK Global Healthcare Business Group., Ltd. | 24,637                  |                              | 24,637                  |                | (1,237)                  |
| SK Planet Japan, K. K.                     | 3,401                   | 1,184                        | 2,217                   | 171            | (1,269)                  |
| SKT Vietnam PTE. Ltd.                      | 4,264                   | 1,292                        | 2,972                   |                |                          |
| SK Planet Global PTE. Ltd.                 | 1,726                   | 570                          | 1,156                   | 1              | (1,345)                  |
| SKP GLOBAL HOLDINGS PTE. LTD.              | 41,754                  | 9                            | 41,745                  |                | (2,534)                  |
| SKT Americas, Inc.                         | 42,378                  | 884                          | 41,494                  | 2,704          | (329)                    |
| SKP America LLC.                           | 341,539                 | 81                           | 341,458                 |                | (174)                    |
| YTK Investment Ltd.                        | 28,091                  |                              | 28,091                  |                |                          |
| Atlas Investment(*3)                       | 69,727                  | 64                           | 69,663                  |                | 324                      |

|                                   |         |        |         |         |
|-----------------------------------|---------|--------|---------|---------|
| shopkick Management Company, Inc. | 272,874 | 6      | 272,868 | (2,387) |
| shopkick, Inc.                    | 50,299  | 13,770 | 36,529  |         |

(\*1) The condensed financial information of Iconcube Holdings, Inc. includes financial information of Iconcube, Inc., a subsidiary of Iconcube Holdings, Inc.

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

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**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, 2014 is as follows:

*(In millions of won)*

| <b>Subsidiary</b>                          | <b>Total assets</b> | <b>Total liabilities</b> | <b>Total equity</b> | <b>Revenue</b> | <b>Profit (loss)</b> |
|--|---------------------|--------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd.                        | ₩ 324,028           | 184,074                  | 139,954             | 465,463        | 13,073               |
| M&Service Co., Ltd.                        | 78,826              | 36,817                   | 42,009              | 133,789        | 7,492                |
| SK Communications Co., Ltd.                | 176,168             | 41,987                   | 134,181             | 93,910         | (18,386)             |
| Stonebridge Cinema Fund                    | 11,137              | 320                      | 10,817              |                | 383                  |
| Commerce Planet Co., Ltd.                  | 26,078              | 27,259                   | (1,181)             | 64,509         | 933                  |
| SK Broadband Co., Ltd.                     | 3,109,991           | 1,988,379                | 1,121,612           | 2,654,381      | 4,307                |
| K-net Culture and Contents Venture Fund    | 21,094              | 4                        | 21,090              |                | 4,920                |
| Fitech Focus Limited Partnership II        | 19,301              |                          | 19,301              |                | (2,055)              |
| Open Innovation Fund                       | 21,765              |                          | 21,765              |                | (6,266)              |
| PS&Marketing Corporation                   | 544,292             | 336,221                  | 208,071             | 1,627,217      | 2,817                |
| Service Ace Co., Ltd.                      | 66,336              | 37,770                   | 28,566              | 207,427        | 3,570                |
| Service Top Co., Ltd.                      | 57,032              | 36,723                   | 20,309              | 188,835        | 3,503                |
| Network O&S Co., Ltd.                      | 71,348              | 45,770                   | 25,578              | 211,916        | 3,823                |
| BNCP Co., Ltd.                             | 6,785               | 5,887                    | 898                 | 12,869         | (1,505)              |
| Iconcube Holdings, Inc.(*1)                | 1,415               | 515                      | 900                 | 630            | (2,284)              |
| SK Planet Co., Ltd.                        | 2,579,286           | 746,832                  | 1,832,454           | 1,512,492      | 1,593                |
| Neosnetworks Co., Ltd.                     | 31,633              | 13,251                   | 18,382              | 33,302         | (1,989)              |
| IRIVER LIMITED(*2)                         | 61,945              | 14,392                   | 47,553              | 53,192         | 2,345                |
| SK Telecom China Holdings Co., Ltd.        | 37,877              | 2,335                    | 35,542              | 12,420         | 1,058                |
| Shenzhen E-eye High Tech Co., Ltd.         | 15,566              | 408                      | 15,158              | 3,637          | (1,143)              |
| SK Global Healthcare Business Group., Ltd. | 25,874              |                          | 25,874              |                | (689)                |
| SK Planet Japan, K. K.                     | 5,222               | 1,638                    | 3,584               | 93             | (4,561)              |
| SKT Vietnam PTE. Ltd.                      | 4,242               | 1,286                    | 2,956               |                | (73)                 |
| SK Planet Global PTE. Ltd.                 | 4,215               | 64                       | 4,151               | 87             | (2,543)              |
| SKP GLOBAL HOLDINGS PTE. LTD.              | 29,529              | 11                       | 29,518              |                | (9,716)              |
| SKT Americas, Inc.                         | 42,159              | 554                      | 41,605              | 9,100          | (5)                  |
| SKP America LLC.                           | 297,981             | 67                       | 297,914             |                | (2,370)              |

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|                                   |         |        |         |          |
|-----------------------------------|---------|--------|---------|----------|
| YTK Investment Ltd.               | 27,944  |        | 27,944  | (15,259) |
| Atlas Investment(*3)              | 66,825  | 94     | 66,731  | (6,626)  |
| shopkick Management Company, Inc. | 230,925 |        | 230,925 |          |
| shopkick, Inc.                    | 28,216  | 13,698 | 14,518  |          |

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity, Continued**

(4) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation during the three-month period ended March 31, 2015 is as follows:

| <b>Subsidiary</b> | <b>Reason</b>                 |
|-------------------|-------------------------------|
| Groovers JP Ltd.  | Established by IRIVER LIMITED |

The list of subsidiaries that were excluded from subsidiaries during the three-month period ended March 31, 2015 is as follows:

| <b>Subsidiary</b>                  | <b>Reason</b>  |
|------------------------------------|--|
| Irriver CS Co., Ltd.               | Merged into IRIVER LIMITED during the three-month period ended March 31, 2015. |
| Shenzhen E-eye High Tech Co., Ltd. | Disposed during the three-month period ended March 31, 2015.                   |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity, Continued**

- (5) The information of significant non-controlling interests of the Group as of and for the three-month period ended March 31, 2015, and as of and for the year ended December 31, 2014 is as follows. There were no dividends paid during the three-month period ended March 31, 2015 and year ended December 31, 2014 by subsidiaries of which non-controlling interests are significant.

| <i>(In millions of won)</i>                          | <b>March 31, 2015</b>              |                               |
|--|------------------------------------|-------------------------------|
|  | <b>SK Communications Co., Ltd.</b> | <b>SK Broadband Co., Ltd.</b> |
| Ownership of non-controlling interests (%)           | 35.4                               | 49.4                          |
| Current assets                                       | ₩ 84,818                           | 477,309                       |
| Non-current assets                                   | 85,388                             | 2,646,191                     |
| Current liabilities                                  | (38,273)                           | (687,426)                     |
| Non-current liabilities                              | (1,718)                            | (1,318,627)                   |
| Net assets   | 130,215                            | 1,117,447                     |
| Adjustment for fair value                            |                                    | 111,242                       |
| Net assets of consolidated entities                  | 130,215                            | 1,228,689                     |
| Carrying amount of non-controlling interests         | 46,171                             | 607,421                       |
| Revenue  | ₩ 20,614                           | 645,725                       |
| Loss for the period                                  | (3,965)                            | (4,816)                       |
| Amortization of fair value adjustment                |                                    | (319)                         |
| Loss of the consolidated entities                    | (3,965)                            | (5,135)                       |
| Total comprehensive income                           |                                    | 651                           |
| Loss attributable to non-controlling interests       | (1,406)                            | (2,539)                       |
| Net cash provided by operating activities            | ₩ 2,424                            | 123,183                       |
| Net cash provided by (used in) investing activities  | 387                                | (183,485)                     |
| Net cash provided by (used in) financing activities  | (10,000)                           | 95,877                        |
| Net increase (decrease) in cash and cash equivalents | (7,189)                            | 35,575                        |





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**1. Reporting Entity, Continued**

- (5) The information of significant non-controlling interests of the Group as of and for the three-month period ended March 31, 2015, and as of and for the year ended December 31, 2014 is as follows. There were no dividends paid during the three-month period ended March 31, 2015 and years ended December 31, 2014 by subsidiaries of which non-controlling interests are significant, Continued

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



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Notes to the Condensed Consolidated Interim Financial Statements

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**2. Basis of Preparation**

(1) Statement of compliance

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

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2014. 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) Critical judgments, 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, 2014.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**2. Basis of Preparation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

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

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

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

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

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

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

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

Information about assumptions used for fair value measurements are included in Note 32.

(3) Common control transactions

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

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**3. 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, 2014. 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, 2015.

(1) Changes in accounting policies

The following amendment to existing standards has been published and are mandatory for the Group for annual periods beginning on or after July 1, 2014.

1) K-IFRS 1019 Employee Benefits Employee contributions

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

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

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**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 Others.

- (1) Details of the segment information as of and for the three-month period ended March 31, 2015 are as follows:

*(In millions of won)*

|   | <b>Cellular<br/>Services</b> | <b>Fixed-line<br/>Telecommunication<br/>services</b> | <b>Others</b> | <b>Sub-total</b> | <b>Consolidation<br/>adjustments</b> | <b>Consolidated<br/>amount</b> |
|---|------------------------------|--|---------------|------------------|--------------------------------------|--------------------------------|
| Total revenue   | ₩ 3,773,632                  | 760,228  | 475,124       | 5,008,984        | (768,698)                            | 4,240,286                      |
| Inter-segment<br>revenue  | 446,967                      | 143,522  | 178,209       | 768,698          | (768,698)                            |                                |
| External revenue  | 3,326,665                    | 616,706  | 296,915       | 4,240,286        |                                      | 4,240,286                      |
| Depreciation and<br>amortization  | 529,627                      | 130,783  | 32,178        | 692,588          |                                      | 692,588                        |
| Operating income<br>(loss)  | 412,641                      | 17,208   | (27,201)      | 402,648          |                                      | 402,648                        |
| Finance income and<br>costs, net  |                              |  |               |                  |                                      | (49,101)                       |
| Gain related to<br>investments in<br>subsidiaries,<br>associates and joint<br>ventures, net |                              |  |               |                  |                                      | 244,257                        |
| Other non-operating<br>income and expense,<br>net   |                              |  |               |                  |                                      | (37,791)                       |
| Profit before income<br>tax   |                              |  |               |                  |                                      | 560,013                        |

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|                   |            |           |           |            |             |            |
|-------------------|------------|-----------|-----------|------------|-------------|------------|
| Total assets      | 23,185,052 | 3,446,138 | 3,015,873 | 29,647,063 | (1,822,646) | 27,824,417 |
| Total liabilities | 9,677,171  | 2,179,175 | 789,670   | 12,646,016 | 101,250     | 12,747,266 |



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**4. Operating Segments, Continued**

- (2) Details of the segment information as of and for the three-month period ended March 31, 2014 are as follows:

*(In millions of won)*

|   | <b>Cellular<br/>Services</b> | <b>Fixed-line<br/>Telecommunication<br/>services</b> | <b>Others</b> | <b>Sub-total</b> | <b>Consolidation<br/>adjustments</b> | <b>Consolidated<br/>amount</b> |
|---|------------------------------|--|---------------|------------------|--------------------------------------|--------------------------------|
| Total revenue   | ₩ 3,715,091                  | 735,241  | 420,215       | 4,870,547        | (668,627)                            | 4,201,920                      |
| Inter-segment revenue   | 357,147                      | 134,628  | 176,852       | 668,627          | (668,627)                            |                                |
| External revenue  | 3,357,944                    | 600,613  | 243,363       | 4,201,920        |                                      | 4,201,920                      |
| Depreciation and amortization   | 512,655                      | 123,069  | 20,104        | 655,828          |                                      | 655,828                        |
| Operating income (loss)   | 260,421                      | 15,382   | (23,407)      | 252,396          |                                      | 252,396                        |
| Finance income and costs, net   |                              |  |               |                  |                                      | (48,785)                       |
| Gain related to investments in subsidiaries, associates and joint ventures, net |                              |  |               |                  |                                      | 145,055                        |
| Other non-operating income and expense, net                                     |                              |  |               |                  |                                      | (16,089)                       |
| Profit before income tax  |                              |  |               |                  |                                      | 332,577                        |
| Total assets  | 22,710,345                   | 3,207,206  | 2,941,881     | 28,859,432       | (2,792,206)                          | 26,067,226                     |
| Total liabilities   | 9,669,003                    | 1,948,975  | 787,924       | 12,405,902       | (163,634)                            | 12,242,268                     |

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 three-month periods ended March 31, 2015 and 2014.

## 5. Restricted Deposits

Deposits which are restricted in use as of March 31, 2015 and December 31, 2014 are summarized as follows:

*(In millions of won)*

|                                     | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|-----------------------|--------------------------|
| Short-term financial instruments(*) | ₩ 89,525              | 90,321                   |
| Long-term financial instruments(*)  | 610                   | 612                      |
| Guarantee deposits                  | 280                   | 280                      |
|                                     | ₩ 90,415              | 91,213                   |

(\*) Financial instruments include charitable trust fund established by the Group. Profits from the fund are donated to charitable institutions. As of March 31, 2015, the funds cannot be withdrawn.

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**6. Trade and Other Receivables**

(1) Details of trade and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                                       | <b>Gross<br/>amount</b> | <b>March 31, 2015<br/>Allowances for<br/>impairment</b> | <b>Carrying<br/>amount</b> |
|---------------------------------------|-------------------------|---|----------------------------|
| <b>Current assets:</b>                |                         |   |                            |
| Accounts receivable - trade           | ₩ 2,609,482             | (234,719)   | 2,374,763                  |
| Short-term loans                      | 78,960                  | (713)   | 78,247                     |
| Accounts receivable - other           | 748,009                 | (77,281)  | 670,728                    |
| Accrued income                        | 10,460                  |   | 10,460                     |
| Others                                | 4,358                   |   | 4,358                      |
|                                       | 3,451,269               | (312,713)   | 3,138,556                  |
| <b>Non-current assets:</b>            |                         |   |                            |
| Long-term loans                       | 85,851                  | (27,001)  | 58,850                     |
| Long-term accounts receivable - other | 3,626                   |   | 3,626                      |
| Guarantee deposits                    | 294,541                 |   | 294,541                    |
| Long-term accounts receivable - trade | 71,946                  | (2,052)   | 69,894                     |
|                                       | 455,964                 | (29,053)  | 426,911                    |
|                                       | ₩ 3,907,233             | (341,766)   | 3,565,467                  |

*(In millions of won)*

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

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Non-current assets:

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

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

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Balance at January 1                         | ₩ 328,191                               | 323,984               |
| Increase of bad debt allowances              | 13,013                                  | 9,162                 |
| Reversal of allowances for doubtful accounts | (2,154)                                 |                       |
| Write-offs                                   | (4,181)                                 | (9,614)               |
| Others                                       | 6,897                                   | 6,614                 |
| Balance at March 31                          | ₩ 341,766                               | 330,146               |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i>     | <b>March 31, 2015</b>              |                          | <b>December 31, 2014</b>           |                          |
|---------------------------------|------------------------------------|--------------------------|------------------------------------|--------------------------|
|                                 | <b>Accounts receivable - trade</b> | <b>Other receivables</b> | <b>Accounts receivable - trade</b> | <b>Other receivables</b> |
| Neither overdue nor impaired    | ₩ 1,864,041                        | 1,075,772                | 1,831,243                          | 1,089,001                |
| Overdue but not impaired        | 71,513                             | 6,133                    | 76,671                             | 3,481                    |
| Impaired                        | 745,874                            | 143,900                  | 774,681                            | 137,306                  |
|                                 | 2,681,428                          | 1,225,805                | 2,682,595                          | 1,229,788                |
| Allowance for doubtful accounts | (236,771)                          | (104,995)                | (221,909)                          | (106,282)                |
|                                 | ₩ 2,444,657                        | 1,120,810                | 2,460,686                          | 1,123,506                |

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

- (4) The aging of overdue but not impaired accounts receivable as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                    | March 31, 2015              |                             | December 31, 2014           |                             |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                    | Accounts receivable - trade | Accounts receivable - other | Accounts receivable - trade | Accounts receivable - other |
| Less than 1 month  | ₩ 28,257                    | 4,374                       | 25,254                      | 1,795                       |
| 1 ~ 3 months       | 21,916                      | 292                         | 26,469                      | 213                         |
| 3 ~ 6 months       | 8,729                       | 591                         | 11,641                      | 608                         |
| More than 6 months | 12,611                      | 876                         | 13,307                      | 865                         |
|                    | ₩ 71,513                    | 6,133                       | 76,671                      | 3,481                       |

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**7. Inventories**

Details of inventories as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                            | March 31, 2015      |                                |                    | December 31, 2014   |                                |                    |
|----------------------------|---------------------|--------------------------------|--------------------|---------------------|--------------------------------|--------------------|
|                            | Acquisition<br>cost | Write-<br>down of<br>inventory | Carrying<br>amount | Acquisition<br>cost | Write-<br>down of<br>inventory | Carrying<br>amount |
| Merchandise                | ₩ 278,131           | (5,682)                        | 272,449            | 252,063             | (5,325)                        | 246,738            |
| Finished goods             | 1,936               | (169)                          | 1,767              | 1,930               | (216)                          | 1,714              |
| Work in process            | 1,027               | (79)                           | 948                | 1,144               | (131)                          | 1,013              |
| Raw materials and supplies | 20,821              | (940)                          | 19,881             | 19,242              | (1,040)                        | 18,202             |
|                            | ₩ 301,915           | (6,870)                        | 295,045            | 274,379             | (6,712)                        | 267,667            |

**8. Investment Securities**

(1) Details of short-term investment securities as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| Beneficiary certificates(*)                             | ₩ 257,105      | 277,003           |
| Current installments of long-term investment securities | 53,000         | 3,158             |
|   | ₩ 310,105      | 280,161           |

(\*) The distributions arising from beneficiary certificates as of March 31, 2015 were accounted for as accrued income.

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For the three-month periods ended March 31, 2015 and 2014

**8. Investment Securities, Continued**

(2) Details of long-term investment securities as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| <b>Equity securities:</b>                                    |                       |                          |
| Marketable equity securities                                 | ₩ 640,749             | 657,286                  |
| Unlisted equity securities(*1)                               | 76,437                | 56,236                   |
| Equity investments(*2)                                       | 196,000               | 209,120                  |
|  | 913,186               | 922,642                  |
| <b>Debt securities:</b>                                      |                       |                          |
| Public bonds(*3)   |                       | 158                      |
| Investment bonds   | 19,669                | 36,638                   |
|  | 19,669                | 36,796                   |
| <b>Total</b>   | <b>932,855</b>        | <b>959,438</b>           |
| Less current installments of long-term investment securities | (53,000)              | (3,158)                  |
| <b>Long-term investment securities</b>                       | <b>₩ 879,855</b>      | <b>956,280</b>           |

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

(\*2) Equity investments are recorded at cost.

(\*3) Details of maturity for the public bonds as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|------------------|-----------------------|--------------------------|
| Less than 1 year | ₩                     | 158                      |



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For the three-month periods ended March 31, 2015 and 2014

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

During the year ended December 31, 2014, the Group entered into a disposal contract regarding the Group's ownership interests in Shenzhen E-eye High Tech Co., Ltd., the Parent Company's subsidiary. Assets and liabilities of the subsidiary amounting to ₩10,510 million and ₩408 million, were reclassified to assets and liabilities held for sale, respectively, and the carrying amount in excess of the fair value less cost to sell was recognized as impairment loss. The ownership interests of Shenzhen E-eye High Tech Co., Ltd. were disposed during the three-month period ended March 31, 2015.

**(2) Investments in associates**

Non-current assets held for sale relating to investments in associates as of March 31, 2015 are as follows:

| <i>(In millions of won)</i> | <b>March 31, 2015</b> |
|-----------------------------|-----------------------|
| KEB HanaCard Co., Ltd. (*)  | ₩ 174,307             |

(\*) During the three-month period ended March 31, 2015, a disposal plan for 27,725,264 shares of KEB HanaCard Co., Ltd. (10.4% ownership interest) has been committed to and the related investment in KEB HanaCard Co., Ltd. was reclassified as assets held for sale. On April 3, 2015, the Group disposed of its investment in KEB HanaCard Co., Ltd. Subsequent to disposal, the Group is still able to exercise significant influence on KEB HanaCard Co., Ltd. (See Note 10).

The assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

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

- (1) Investments in associates and joint ventures accounted for using the equity method as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | Country       | March 31, 2015       |                 | December 31, 2014    |                 |
|---|---------------|----------------------|-----------------|----------------------|-----------------|
|   |               | Ownership percentage | Carrying amount | Ownership percentage | Carrying amount |
| <b>Investments in associates</b>                |               |                      |                 |                      |                 |
| SK China Company Ltd.(*1)                       | China         | 9.6                  | ₩ 37,982        | 9.6                  | ₩ 35,817        |
| Korea IT Fund(*2)                               | Korea         | 63.3                 | 238,306         | 63.3                 | 240,676         |
| KEB HanaCard Co., Ltd.(*1,3)                    | Korea         | 15.0                 | 250,863         | 25.4                 | 425,140         |
| Candle Media Co., Ltd.                          | Korea         | 35.1                 | 19,674          | 35.1                 | 19,486          |
| NanoEnTek, Inc.                                 | Korea         | 26.0                 | 35,979          | 26.0                 | 36,527          |
| SK Industrial Development China Co., Ltd.       | Hongkong      | 21.0                 | 79,256          | 21.0                 | 79,394          |
| Packet One Network(*1)                          | Malaysia      | 13.6                 | 48,046          | 13.6                 | 53,670          |
| SK Technology Innovation Company                | Cayman        | 49.0                 | 45,935          | 49.0                 | 44,052          |
| HappyNarae Co., Ltd.                            | Korea         | 42.5                 | 15,774          | 42.5                 | 15,551          |
| SK hynix Inc.                                   | Korea         | 20.1                 | 5,063,079       | 20.1                 | 4,849,159       |
| SK MENA Investment B.V.                         | Netherlands   | 32.1                 | 14,083          | 32.1                 | 14,015          |
| SKY Property Mgmt. Ltd.                         | Virgin Island | 33.0                 | 249,928         | 33.0                 | 248,534         |
| Xinan Tianlong Science and Technology Co., Ltd. | China         | 49.0                 | 24,637          | 49.0                 | 25,874          |
| Daehan Kanggun BcN Co., Ltd. and others         |               |                      | 156,415         |                      | 158,725         |
| Sub-total                                       |               |                      | 6,279,957       |                      | 6,246,620       |
| <b>Investments in joint ventures</b>            |               |                      |                 |                      |                 |
| Dogus Planet, Inc.(*4)                          | Turkey        | 50.0                 | 13,438          | 50.0                 | 11,441          |
| PT. Melon Indonesia                             | Indonesia     | 49.0                 | 3,619           | 49.0                 | 3,564           |
| Television Media Korea Ltd.                     | Korea         | 51.0                 | 6,870           | 51.0                 | 6,944           |
| Celcom Planet                                   | Malaysia      | 51.0                 | 15,894          | 51.0                 | 16,605          |
| PT XL Planet Digital(*4)                        | Indonesia     | 50.0                 | 25,853          | 50.0                 | 12,914          |
| Sub-total                                       |               |                      | 65,674          |                      | 51,468          |

Total

₩ 6,345,631

₩ 6,298,088

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

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

- (1) Investments in associates and joint ventures accounted for using the equity method as of March 31, 2015 and December 31, 2014 are as follows, Continued:

- (\*1) Classified as investments in associates as the Group can exercise significant influence through its participation on the board of directors even though the Group has less than 20% of equity interests.
- (\*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.
- (\*3) During the three-month period ended March 31, 2015, a disposal plan for 27,725,264 shares of KEB HanaCard Co., Ltd. has been committed and the portion of investment in KEB HanaCard Co., Ltd. to be disposed was reclassified as assets held for sale. (See Note 9)
- (\*4) The carrying amount has been increased due to the additional investment during the three-month period ended March 31, 2015.

- (2) The market price of investments in listed associates as of March 31, 2015 and December 31, 2014 are as follows:

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

|                        | March 31, 2015                  |                  |              | December 31, 2014               |                  |              |
|------------------------|---------------------------------|------------------|--------------|---------------------------------|------------------|--------------|
|                        | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| Candle Media Co., Ltd. | ₩ 911                           | 21,620,360       | 19,696       | 734                             | 21,620,360       | 15,869       |
| NanoEnTek, Inc.        | 6,210                           | 5,870,290        | 36,455       | 5,710                           | 5,870,290        | 33,519       |
| SK hynix Inc.          | 45,550                          | 146,100,000      | 6,654,855    | 47,750                          | 146,100,000      | 6,976,275    |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

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

- (3) The financial information of the significant investees as of and for the three-month period ended March 31, 2015 and as of and for the year ended December 31, 2014 are as follows:

|  | <b>As of and for the three-month period ended March 31, 2015</b> |                                       |  |                              |
|--|--|---------------------------------------|--|------------------------------|
|  | <b>SK hynix<br/>Inc.</b>   | <b>KEB<br/>HanaCard<br/>Co., Ltd.</b> | <b>SKY<br/>Property<br/>Mgmt. Ltd.</b> | <b>Korea<br/>IT<br/>Fund</b> |
| <i>(In millions of won)</i>              |  |                                       |  |                              |
| Current assets                           | ₩ 9,621,593  | 6,119,561                             | 145,009                                | 123,791                      |
| Non-current assets                       | 17,771,320   | 720,495                               | 666,254                                | 252,482                      |
| Current liabilities                      | 5,161,878  | 867,659                               | 163,642                                |                              |
| Non-current liabilities                  | 3,105,298  | 4,648,725                             | 104,545                                |                              |
| Revenue                                  | 4,818,341  | 365,568                               | 21,732                                 |                              |
| Profit (loss) from continuing operations | 1,295,456  | (4,022)                               | 5,060                                  | (831)                        |
| Other comprehensive income (loss)        | 14,059   | 978                                   | (246)                                  |                              |
| Total comprehensive income (loss)        | 1,309,515  | (3,044)                               | 4,814                                  | (831)                        |

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

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



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SK TELECOM CO., LTD. and Subsidiaries

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For the three-month periods ended March 31, 2015 and 2014

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

- (4) The condensed financial information of joint ventures as of and for the three-month period ended March 31, 2015 and as of and for the year ended December 31, 2014 are as follows:

| <i>(In millions of won)</i>                    | <b>As of and for the three-month period ended March 31, 2015</b> |                                   |                                    |                                     |                          |
|--|--|-----------------------------------|------------------------------------|-------------------------------------|--------------------------|
|  | <b>Television<br/>Media<br/>Korea Ltd.</b>                       | <b>Dogus<br/>Planet,<br/>Inc.</b> | <b>PT.<br/>Melon<br/>Indonesia</b> | <b>PT XL<br/>Planet<br/>Digital</b> | <b>Celcom<br/>Planet</b> |
| Current assets                                 | ₩ 15,669   | 29,168                            | 8,933                              | 29,772                              | 30,407                   |
| Cash and cash equivalents                      | 3,655  | 3                                 | 5,375                              | 26,877                              | 30,400                   |
| Non-current assets                             | 4,055  | 12,274                            | 2,875                              | 25,961                              | 1,938                    |
| Current liabilities                            | 6,261  | 14,347                            | 4,228                              | 3,878                               | 1,182                    |
| Account payable, other payables and provisions | 2,259  | 2,690                             |                                    |                                     |                          |
| Non-current liabilities                        | 464  | 219                               | 144                                | 149                                 |                          |
| Account payable, other payables and provisions | 464  | 219                               | 144                                | 149                                 |                          |
| Revenue  | 4,337  | 7,709                             | 3,498                              | 647                                 |                          |
| Depreciation and amortization                  | (817)  | (725)                             | (36)                               | (596)                               | (13)                     |
| Interest income                                | 43   | 232                               | 70                                 |                                     | 119                      |
| Interest expense                               |  |                                   |                                    |                                     |                          |
| Income tax expense                             |  |                                   |                                    | (1,170)                             |                          |
| Profit (loss)                                  | (144)  | (2,053)                           | 438                                | (3,640)                             | (1,395)                  |
| Total comprehensive income (loss)              | (144)  | (2,053)                           | 438                                | (3,640)                             | (1,395)                  |

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

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|                                   |         |          |       |          |         |
|-----------------------------------|---------|----------|-------|----------|---------|
| Depreciation and amortization     | (3,732) | (2,402)  | (928) | (1,452)  | (1)     |
| Interest income                   | 254     | 1,154    | 268   |          |         |
| Interest expense                  |         | (6)      |       |          |         |
| Income tax expense                |         |          |       | (5,334)  |         |
| Profit (loss)                     | (3,361) | (37,146) | 523   | (15,596) | (1,479) |
| Total comprehensive income (loss) | (3,361) | (37,146) | 523   | (15,596) | (1,479) |



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Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**10. 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 March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                            |              |  | March 31, 2015 |              |               |           |
|----------------------------|--------------|--|----------------|--------------|---------------|-----------|
|                            |              |  | Ownership      | Net assets   | Cost-book     | Carrying  |
|                            | Net assets   |  | interests      | attributable | value         | amount    |
|                            |              |  | (%)            | to the       | differentials |           |
|                            |              |  |                | ownership    |               |           |
|                            |              |  |                | interests    |               |           |
| <b>Associates:</b>         |              |  |                |              |               |           |
| SK hynix Inc.(*)           | ₩ 19,126,225 |  | 20.1           | 3,838,368    | 1,224,711     | 5,063,079 |
| KEB HanaCard Co., Ltd.     | 1,323,672    |  | 15.0           | 198,551      | 52,312        | 250,863   |
| SKY Property Mgmt. Ltd.(*) | 532,302      |  | 33.0           | 175,659      | 74,269        | 249,928   |
| Korea IT Fund              | 376,273      |  | 63.3           | 238,306      |               | 238,306   |

*(In millions of won)*

|                            |              |  | December 31, 2014 |              |               |           |
|----------------------------|--------------|--|-------------------|--------------|---------------|-----------|
|                            |              |  | Ownership         | Net assets   | Cost-book     | Carrying  |
|                            | Net assets   |  | interests         | attributable | value         | amount    |
|                            |              |  | (%)               | to the       | differentials |           |
|                            |              |  |                   | ownership    |               |           |
|                            |              |  |                   | interests    |               |           |
| <b>Associates:</b>         |              |  |                   |              |               |           |
| SK hynix Inc.(*)           | ₩ 18,036,453 |  | 20.1              | 3,619,666    | 1,229,493     | 4,849,159 |
| KEB HanaCard Co., Ltd.     | 1,326,649    |  | 25.4              | 337,266      | 87,874        | 425,140   |
| SKY Property Mgmt. Ltd.(*) | 527,479      |  | 33.0              | 174,068      | 74,466        | 248,534   |
| Korea IT Fund              | 380,170      |  | 63.3              | 240,676      |               | 240,676   |

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**10. 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 three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)***For the three-month period ended March 31, 2015**

|  | <b>Beginning<br/>balance</b> | <b>Acquisition<br/>and<br/>Disposal</b> | <b>Share of<br/>profits<br/>(losses)</b> | <b>Other<br/>comprehensive<br/>income<br/>(loss)</b> | <b>Other<br/>decrease</b> | <b>Ending<br/>balance</b> |
|--|------------------------------|---|--|--|---------------------------|---------------------------|
| <b>Investments in associates</b>                 |                              |   |  |  |                           |                           |
| SK China Company Ltd.                            | ₩ 35,817                     |   | (334)                                    | 2,499  |                           | 37,982                    |
| Korea IT Fund                                    | 240,676                      |   | (2,370)                                  |  |                           | 238,306                   |
| KEB HanaCard Co., Ltd.                           | 425,140                      |   | (236)                                    | 266  | (174,307)                 | 250,863                   |
| Candle Media Co., Ltd.                           | 19,486                       |   | 188                                      |  |                           | 19,674                    |
| NanoEnTek, Inc.                                  | 36,527                       |   | (564)                                    | 16   |                           | 35,979                    |
| SK Industrial Development<br>China Co., Ltd.     | 79,394                       |   | (258)                                    | 120  |                           | 79,256                    |
| Packet One Network                               | 53,670                       |   | (5,054)                                  | (570)  |                           | 48,046                    |
| SK Technology Innovation<br>Company              | 44,052                       |   | 71                                       | 1,812  |                           | 45,935                    |
| HappyNarae Co., Ltd.                             | 15,551                       |   | 281                                      | (58)   |                           | 15,774                    |
| SK hynix Inc.(*)                                 | 4,849,159                    |   | 255,253                                  | 2,497  | (43,830)                  | 5,063,079                 |
| SK MENA Investment B.V.                          | 14,015                       |   | (5)                                      | 73   |                           | 14,083                    |
| SKY Property Mgmt. Ltd.                          | 248,534                      |   | 2,090                                    | (696)  |                           | 249,928                   |
| Xian Tianlong Science and<br>Technology Co., Ltd | 25,874                       |   | (1,237)                                  |  |                           | 24,637                    |
| Daehan Kanggun BcN Co., Ltd.<br>and others       | 158,725                      | 840                                     | (2,980)                                  | 30   | (200)                     | 156,415                   |
| Sub-total  | 6,246,620                    | 840                                     | 244,845                                  | 5,989  | (218,337)                 | 6,279,957                 |
| <b>Investments in joint ventures</b>             |                              |   |  |  |                           |                           |
| Dogus Planet, Inc.                               | 11,441                       | 4,388                                   | (1,026)                                  | (1,365)  |                           | 13,438                    |
| PT. Melon Indonesia                              | 3,564                        |   | 215                                      | (160)  |                           | 3,619                     |
| Television Media Korea Ltd.                      | 6,944                        |   | (74)                                     |  |                           | 6,870                     |
| Celcom Planet                                    | 16,605                       |   | (711)                                    |  |                           | 15,894                    |
| PT XL Planet Digital                             | 12,914                       | 14,759                                  | (1,820)                                  |  |                           | 25,853                    |

|       |             |        |         |       |           |           |
|-------|-------------|--------|---------|-------|-----------|-----------|
| Total | ₩ 6,298,088 | 19,987 | 241,429 | 4,464 | (218,337) | 6,345,631 |
|-------|-------------|--------|---------|-------|-----------|-----------|

(\* ) Dividends declared by the associate, SK hynix Inc., are deducted from the carrying amount during the three-month period ended March 31, 2015.

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**10. 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 three-month periods ended March 31, 2015 and 2014 are as follows, Continued:

*(In millions of won)*

|  | Beginning<br>balance | For the three-month period ended March 31, 2014 |   |                           |   | Ending<br>balance |
|--|----------------------|---|---|---------------------------|---|-------------------|
|  |                      | Acquisition<br>and<br>Disposal                  | Share of comprehensive<br>profits<br>(losses) | Other<br>income<br>(loss) | Impairment<br>loss<br>Other<br>increase |                   |
| <b>Investments in associates</b>                 |                      |   |   |                           |   |                   |
| SK China Company Ltd.                            | ₩ 37,434             |   | (448)   | (181)                     |   | 36,805            |
| Korea IT Fund                                    | 231,402              |   | 3,836   | (496)                     |   | 234,742           |
| Etoos Co., Ltd                                   | 12,029               |   | (208)   |                           |   | 11,821            |
| KEB HanaCard Co., Ltd.                           | 378,616              |   | (412)   | (1,757)                   |   | 376,447           |
| Candle Media Co., Ltd.                           | 21,241               |   | (1,792)                                       | (37)                      | (491)                                   | 18,921            |
| NanoEnTek, Inc.                                  | 9,312                |   | 97  | 1                         |   | 9,410             |
| SK Industrial Development<br>China Co., Ltd.     | 77,517               |   | 217   | 994                       |   | 78,728            |
| Packet One Network                               | 60,706               |   | (2,035)                                       | (1,991)                   |   | 56,680            |
| SK Technology Innovation<br>Company              | 53,874               |   | (1,205)                                       | 689                       |   | 53,358            |
| HappyNarae Co., Ltd.                             | 13,935               |   | 415   | (52)                      |   | 14,298            |
| SK hynix Inc.                                    | 3,943,232            |   | 159,812                                       | (3,445)                   |   | 4,099,599         |
| SK MENA Investment<br>B.V.                       | 13,477               |   | (6)   | 162                       |   | 13,633            |
| SKY Property Mgmt. Ltd.                          | 238,278              |   | (529)   | 2,009                     |   | 239,758           |
| Xian Tianlong Science and<br>Technology Co., Ltd | 26,562               |   |   |                           |   | 26,562            |
| Daehan Kanggun BeN Co.,<br>Ltd. and others       | 164,976              | 1,061   | (6,346)                                       | 3,569                     | 183                                     | 163,443           |
| <b>Sub-total</b>                                 | <b>5,282,591</b>     | <b>1,061</b>                                    | <b>151,396</b>                                | <b>(535)</b>              | <b>(491)</b>                            | <b>5,434,205</b>  |
| <b>Investments in joint<br/>ventures</b>         |                      |   |   |                           |   |                   |
| Dogus Planet, Inc.                               | 10,105               | 19,677  | (2,597)                                       | (167)                     |   | 27,018            |
| PT. Melon Indonesia                              | 3,230                |   | 89  | 251                       |   | 3,570             |
|  | 8,659                |   | (566)   |                           |   | 8,093             |

|                             |             |        |         |       |       |     |           |
|-----------------------------|-------------|--------|---------|-------|-------|-----|-----------|
| Television Media Korea Ltd. |             |        |         |       |       |     |           |
| PT XL Planet Digital        | 20,712      |        | (2,780) | (397) |       |     | 17,535    |
| Total                       | ₩ 5,325,297 | 20,738 | 145,542 | (848) | (491) | 183 | 5,490,421 |

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For the three-month periods ended March 31, 2015 and 2014

**10. 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 March 31, 2015 are as follows:

| <i>(In millions of won)</i>     | Unrealized loss               |             | Unrealized change in equity   |             |
|---------------------------------|-------------------------------|-------------|-------------------------------|-------------|
|                                 | Period ended<br>Mar. 31, 2015 | Accumulated | Period ended<br>Mar. 31, 2015 | Accumulated |
| Wave City Development Co., Ltd. | ₩ 2,658                       | 4,302       |                               |             |
| Gemini and others               | 1,957                         | 7,273       |                               | 365         |
|                                 | ₩ 4,615                       | 11,575      |                               | 365         |

**11. Property and Equipment**

Changes in property and equipment for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                          | For the three-month period ended March 31, 2015 |             |          |           |              |  | Ending<br>balance |
|--------------------------|---|-------------|----------|-----------|--------------|--|-------------------|
|                          | Beginning<br>balance                            | Acquisition | Disposal | Transfer  | Depreciation |  |                   |
| Land                     | ₩ 766,780                                       | 1,376       | (873)    | 4,196     |              |  | 771,479           |
| Buildings                | 933,867   | 3,623       | (1,039)  | 5,721     | (12,230)     |  | 929,942           |
| Structures               | 352,789   | 5           | (109)    | 3,907     | (8,506)      |  | 348,086           |
| Machinery                | 7,310,815                                       | 84,776      | (1,608)  | 279,364   | (519,706)    |  | 7,153,641         |
| Other                    | 499,050   | 244,929     | (779)    | (148,089) | (34,460)     |  | 560,651           |
| Construction in progress | 704,400   | 102,247     |          | (165,493) |              |  | 641,154           |
|                          | ₩ 10,567,701                                    | 436,956     | (4,408)  | (20,394)  | (574,902)    |  | 10,404,953        |

*(In millions of won)*

## For the three-month period ended March 31, 2014

|                             | Beginning<br>balance | Acquisition | Disposal | Transfer  | Depreciation | Impairment | Classified<br>as held for<br>sale | Ending<br>balance |
|-----------------------------|----------------------|-------------|----------|-----------|--------------|------------|-----------------------------------|-------------------|
| Land                        | ₩ 732,206            | 34          |          | 6,353     |              |            |                                   | 738,593           |
| Buildings                   | 956,691              | 2,915       | (101)    | 3,670     | (12,132)     |            |                                   | 951,043           |
| Structures                  | 364,951              |             |          | 2,975     | (8,133)      |            |                                   | 359,793           |
| Machinery                   | 6,847,059            | 47,992      | (1,660)  | 411,240   | (502,017)    | (2,669)    | (1,411)                           | 6,798,534         |
| Other                       | 533,181              | 223,855     | (621)    | (83,519)  | (31,397)     | (21)       | (9)                               | 641,469           |
| Construction in<br>progress | 762,519              | 63,171      | (907)    | (347,382) |              |            |                                   | 477,401           |
|                             | ₩ 10,196,607         | 337,967     | (3,289)  | (6,663)   | (553,679)    | (2,690)    | (1,420)                           | 9,966,833         |

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For the three-month periods ended March 31, 2015 and 2014

**12. Investment Property**

Changes in investment property for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended March 31, 2015</b> |                 |                     |                           |
|-----------------------------|--|-----------------|---------------------|---------------------------|
|                             | <b>Beginning<br/>balance</b>                           | <b>Transfer</b> | <b>Depreciation</b> | <b>Ending<br/>balance</b> |
| Land                        | ₩ 10,418   | 79              |                     | 10,497                    |
| Buildings                   | 4,579  | 34              | (58)                | 4,555                     |
|                             | ₩ 14,997   | 113             | (58)                | 15,052                    |

| <i>(In millions of won)</i> | <b>For the three-month period ended March 31, 2014</b> |                 |                     |                           |
|-----------------------------|--|-----------------|---------------------|---------------------------|
|                             | <b>Beginning<br/>balance</b>                           | <b>Transfer</b> | <b>Depreciation</b> | <b>Ending<br/>balance</b> |
| Land                        | ₩ 10,822   | 249             |                     | 11,071                    |
| Buildings                   | 4,989  | 115             | (61)                | 5,043                     |
|                             | ₩ 15,811   | 364             | (61)                | 16,114                    |

**13. Goodwill**

(1) Goodwill as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i>                                | <b>March 31,<br/>2015</b> | <b>December 31, 2014</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   | 252,686                   | 252,916                  |
|  | ₩ 1,917,365               | 1,917,595                |



(2) Changes in goodwill for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31,</b>                        |                       |
|                             | <b>2015</b>                             | <b>March 31, 2014</b> |
| Beginning balance           | ₩ 1,917,595                             | 1,733,261             |
| Impairment loss on goodwill | (1,023)                                 |                       |
| Other                       | 793                                     |                       |
|                             | ₩ 1,917,365                             | 1,733,261             |

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**14. Intangible Assets**

(1) Changes in intangible assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                       | <b>For the three-month period ended March 31, 2015</b> |                    |                 |                 |                     |  | <b>Ending<br/>balance</b> |
|-----------------------|--|--------------------|-----------------|-----------------|---------------------|--|---------------------------|
|                       | <b>Beginning<br/>balance</b>                           | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> |  |                           |
| Frequency use rights  | ₩ 1,384,044  |                    |                 |                 | (70,132)            |  | 1,313,912                 |
| Land use rights       | 25,353   | 1,841              | (88)            |                 | (2,319)             |  | 24,787                    |
| Industrial rights     | 107,760  | 4,718              |                 | 255             | (1,588)             |  | 111,145                   |
| Development costs     | 8,331  | 59                 |                 | 33              | (1,136)             |  | 7,287                     |
| Facility usage rights | 52,636   | 226                | (12)            | 17              | (2,102)             |  | 50,765                    |
| Customer relations    | 6,404  |                    | (4)             |                 | (594)               |  | 5,806                     |
| Memberships           | 94,119   | 547                | (456)           | 68              |                     |  | 94,278                    |
| Other                 | 805,347  | 11,804             | (25)            | 39,001          | (76,663)            |  | 779,464                   |
|                       | ₩ 2,483,994  | 19,195             | (585)           | 39,374          | (154,534)           |  | 2,387,444                 |

*(In millions of won)*

|                       | <b>For the three-month period ended March 31, 2014</b> |                    |                 |                 |                     |                   |  | <b>Ending<br/>balance</b> |
|-----------------------|--|--------------------|-----------------|-----------------|---------------------|-------------------|--|---------------------------|
|                       | <b>Beginning<br/>balance</b>                           | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> | <b>Impairment</b> | <b>Classified<br/>as<br/>held<br/>for<br/>sale</b> |                           |
| Frequency use rights  | ₩ 1,664,571  |                    |                 |                 | (70,132)            |                   |  | 1,594,439                 |
| Land use rights       | 16,590   | 1,847              | (13)            |                 | (1,708)             |                   |  | 16,716                    |
| Industrial rights     | 58,763   | 1,948              | (6)             |                 | (1,322)             |                   |  | 59,383                    |
| Development costs     | 10,127   | 158                | (26)            | 63              | (972)               |                   |  | 9,350                     |
| Facility usage rights | 58,828   | 242                | (16)            | 341             | (2,090)             |                   |  | 57,305                    |
| Customer relations    | 6,333  | 85                 |                 |                 | (502)               |                   |  | 5,916                     |
| Memberships           | 128,452  | 2,615              |                 | (12)            |                     |                   |  | 131,055                   |
| Other                 | 807,118  | 12,465             | (494)           | 33,640          | (72,744)            | (238)             | (26)   | 779,721                   |
|                       | ₩ 2,750,782  | 19,360             | (555)           | 34,032          | (149,470)           | (238)             | (26)   | 2,653,885                 |



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**14. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of frequency usage rights as of March 31, 2015 are as followed, all of which are depreciated on a straight-line basis:

*(In millions of won)*

|                | <b>Amount</b> | <b>Description</b>                                    | <b>Commencement<br/>of amortization</b> | <b>Completion of<br/>amortization</b> |
|----------------|---------------|---|---|---------------------------------------|
| W-CDMA license | ₩ 174,616     | Frequency use rights relating to W-CDMA service       | Dec. 2003                               | Dec. 2016                             |
| W-CDMA license | 28,544        | Frequency use rights relating to W-CDMA service       | Oct. 2010                               | Dec. 2016                             |
| 800MHz license | 253,400       | Frequency use rights relating to CDMA and LTE service | Jul. 2011                               | Jun. 2021                             |
| 1.8GHz license | 847,935       | Frequency use rights relating to LTE service          | Sep. 2013                               | Dec. 2021                             |
| WiBro license  | 9,417         | WiBro service   | Mar. 2012                               | Mar. 2019                             |
|                | ₩ 1,313,912   |   |   |                                       |

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**15. Borrowings and Debentures**

(1) Short-term borrowings as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                       | <b>Lender</b>                         | <b>Annual interest rate (%)</b> | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------|---------------------------------------|---------------------------------|-----------------------|--------------------------|
| Commercial Paper      | Woori Investment Bank Co., Ltd., etc. | 1.81~2.37                       | ₩ 166,000             | 206,000                  |
| Short-term borrowings | Korea Development Bank, etc.          | 2.11~4.15                       | 226,362               | 160,600                  |
|                       |                                       |                                 | ₩ 392,362             | 366,600                  |

(2) Long-term borrowings as of March 31, 2015 and December 31, 2014 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>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|---------------------------------|-----------------|-----------------------|--------------------------|
| Shinhan Bank  | 2.39                            | Jun. 15, 2015   | ₩ 856                 | 1,712                    |
| Kookmin Bank  | 2.39                            | Jun. 15, 2016   | 4,062                 | 4,874                    |
| Kookmin Bank  | 2.39                            | Mar. 15, 2017   | 3,997                 | 4,496                    |
| Kookmin Bank  | 2.39                            | Mar. 15, 2018   | 8,600                 | 8,600                    |
| Shinhan Bank(*1)                                    | 6M bank debenture<br>rate+1.58  | Apr. 30, 2016   | 10,000                | 10,000                   |
| Korea Development Bank                              | 3.32                            | Jul. 30, 2019   | 39,000                | 39,000                   |
| Korea Development Bank                              | 2.94                            | Jul. 30, 2019   | 10,000                | 10,000                   |
| Export Kreditnamnden(*2)                            | 1.7                             | Apr. 29, 2022   | 95,403                | 94,903                   |
|   |                                 |                 | (USD 86,338)          | (USD 86,338)             |
| Sub-total   |                                 |                 | 171,918               | 173,585                  |
| Less present value discount on long-term borrowings |                                 |                 | (2,470)               | (2,632)                  |
|   |                                 |                 | 169,448               | 170,962                  |

|   |   |          |          |
|---|---|----------|----------|
| Less current installments of long-term borrowings |   | (21,333) | (21,242) |
| Long-term borrowings                              | ₩ | 148,115  | 149,720  |

(\*1) As of March 31, 2015, the 6M bank debenture rate of Shinhan Bank is 2.11%.

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

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**15. Borrowings and Debentures, Continued**

(3) Debentures as of March 31, 2015 and December 31, 2014 are as follows:

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

|                             | <b>Purpose</b>   | <b>Maturity</b> | <b>Annual interest rate (%)</b> | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|------------------|-----------------|---------------------------------|-----------------------|--------------------------|
| Unsecured private bonds     | Refinancing fund | 2016            | 5.00                            | ₩ 200,000             | 200,000                  |
| Unsecured private bonds     | Other fund       | 2015            | 5.00                            |                       | 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                | 50,000                   |
| Unsecured private bonds     |                  | 2024            | 3.64                            | 150,000               | 150,000                  |
| Unsecured private bonds(*5) |                  | 2029            | 4.73                            | 56,163                | 55,188                   |
|                             |                  | 2029            | 4.72                            | 56,154                | 55,177                   |

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|                                   |                  |      |                 |               |               |
|-----------------------------------|------------------|------|-----------------|---------------|---------------|
| Unsecured private bonds(*5)       |                  |      |                 |               |               |
| Unsecured private bonds           | Refinancing fund | 2019 | 2.53            | 160,000       | 160,000       |
| Unsecured private bonds           |                  | 2021 | 2.66            | 150,000       | 150,000       |
| Unsecured private bonds           |                  | 2024 | 2.82            | 190,000       | 190,000       |
| Unsecured private bonds           |                  | 2022 | 2.40            | 100,000       |               |
| Unsecured private bonds           |                  | 2025 | 2.49            | 150,000       |               |
| Unsecured private bonds           |                  | 2030 | 2.61            | 50,000        |               |
| Unsecured private bonds(*1)       | Operating fund   | 2015 | 4.62            | 10,000        | 10,000        |
| Unsecured private bonds(*2)       |                  | 2015 | 4.09            |               | 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        | 80,000        |
| Unsecured private bonds(*2)       |                  | 2019 | 3.49            | 210,000       | 210,000       |
| Unsecured private bonds(*2)       |                  | 2019 | 2.76            | 130,000       | 130,000       |
| Unsecured private bonds(*2)       |                  | 2018 | 2.23            | 50,000        |               |
| Unsecured private bonds(*2)       |                  | 2020 | 2.49            | 160,000       |               |
| Unsecured private bonds(*3)       |                  | 2015 | 3.12            | 10,000        | 10,000        |
| Unsecured private bonds(*3)       |                  | 2016 | 3.24            | 10,000        | 10,000        |
| Unsecured private bonds(*3)       |                  | 2017 | 3.48            | 20,000        | 20,000        |
| Foreign global bonds              |                  | 2027 | 6.63            | 442,000       | 439,680       |
| Swiss unsecured private bonds     |                  | 2017 | 1.75            | (USD 400,000) | (USD 400,000) |
| Foreign global bonds              |                  | 2018 | 2.13            | 342,831       | 333,429       |
| Australia unsecured private bonds |                  | 2017 | 4.75            | (CHF 300,000) | (CHF 300,000) |
| Floating rate notes(*4)           |                  | 2020 | 3M Libor + 0.88 | 773,500       | 769,440       |
|                                   |                  |      |                 | (USD 700,000) | (USD 700,000) |
|                                   |                  |      |                 | 253,680       | 269,727       |
|                                   |                  |      |                 | (AUD 300,000) | (AUD 300,000) |
|                                   |                  |      |                 | 331,500       | 329,760       |





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**15. Borrowings and Debentures, Continued**

(3) Debentures as of March 31, 2015 and December 31, 2014 are as follows, Continued:

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

|                                       | Purpose        | Maturity | Annual interest<br>rate (%) | March 31,<br>2015        | December 31,<br>2014     |
|---------------------------------------|----------------|----------|-----------------------------|--------------------------|--------------------------|
| Foreign global bonds(*2)              | Operating fund | 2018     | 2.88                        | (USD 331,500<br>300,000) | (USD 329,760<br>300,000) |
| Sub-total                             |                |          |                             | 6,457,328                | 6,252,161                |
| Less discounts on bonds               |                |          |                             | (33,526)                 | (33,531)                 |
|                                       |                |          |                             | 6,423,802                | 6,218,630                |
| Less current installments<br>of bonds |                |          |                             | (529,653)                | (569,472)                |
|                                       |                |          |                             | ₩ 5,894,149              | 5,649,158                |

(\*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 March 31, 2015, 3M Libor rate is 0.27%.

(\*5) The Group settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by designating the structured bonds as 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 ₩12,317 million as of March 31, 2015.

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**16. Long-term Payables - other**

(1) Long-term payables other as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Payables related to acquisition of W-CDMA licenses | ₩ 542,125             | 657,001                  |
| Other(*)   | 24,261                | 27,566                   |
|  | ₩ 566,386             | 684,567                  |

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

(2) As of March 31, 2015 and December 31, 2014, long-term payables - other which consist of payables related to the acquisition of W-CDMA licenses for 800MHz, 2.3GHz and 1.8GHz frequencies are as follows (See Note 14):

*(In millions of won)*

|  | <b>Period of<br/>repayment</b> | <b>Coupon rate</b> | <b>Annual effective<br/>interest<br/>rate(*)</b> | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|--------------------------------|--------------------|--|---------------------------|------------------------------|
| 800MHz   | 2013~2015                      | 3.51%              | 5.69%  | ₩                         | 69,416                       |
| 2.3GHz   | 2014~2016                      | 3.00%              | 5.80%  | 2,882                     | 5,766                        |
| 1.8GHz   | 2012~2021                      | 2.43~3.00%         | 4.84~5.25%                                       | 707,006                   | 824,841                      |
|  |                                |                    |  | 709,888                   | 900,023                      |
| Present value discount on long-term payables - other |                                |                    |  | (49,405)                  | (53,633)                     |
|  |                                |                    |  | 660,483                   | 846,390                      |
| Current installments of long-term payables - other   |                                |                    |  | (118,358)                 | (189,389)                    |

|                               |   |         |         |
|-------------------------------|---|---------|---------|
| Carrying amount at period end | ₩ | 542,125 | 657,001 |
|-------------------------------|---|---------|---------|

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

(3) The repayment schedule of long-term payables - other related to acquisition of W-CDMA licenses as of March 31, 2015 is as follows:

*(In millions of won)*

|                   | <b>Amount</b> |
|-------------------|---------------|
| Less than 1 year  | ₩ 120,718     |
| 1~3 years         | 235,669       |
| 3~5 years         | 235,669       |
| More than 5 years | 117,832       |
|                   | ₩ 709,888     |

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**17. Provisions**

Changes in provisions for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                               | For the three-month period ended March 31, 2015 |          |             |          |       |                | As of March 31, 2015 |             |
|-------------------------------|---|----------|-------------|----------|-------|----------------|----------------------|-------------|
|                               | Beginning balance                               | Increase | Utilization | Reversal | Other | Ending balance | Current              | Non-current |
| Provision for handset subsidy | ₩ 26,799  |          | (2,333)     | (18,172) |       | 6,294          | 3,519                | 2,775       |
| Provision for restoration     | 59,727  | 977      | (253)       | (818)    | (19)  | 59,614         | 33,467               | 26,147      |
| Other provisions              | 562   | 1,301    | (44)        |          |       | 1,819          | 920                  | 899         |
|                               | ₩ 87,088  | 2,278    | (2,630)     | (18,990) | (19)  | 67,727         | 37,906               | 29,821      |

*(In millions of won)*

|                               | For the three-month period ended March 31, 2014 |          |             |          |       |                | As of March 31, 2014 |             |
|-------------------------------|---|----------|-------------|----------|-------|----------------|----------------------|-------------|
|                               | Beginning balance                               | Increase | Utilization | Reversal | Other | Ending balance | Current              | Non-current |
| Provision for handset subsidy | ₩ 53,923  | 40,490   | (28,237)    |          |       | 66,176         | 45,836               | 20,340      |
| Provision for restoration     | 40,507  | 594      | (259)       | (689)    | (260) | 39,893         | 14,928               | 24,965      |
| Other provisions              | 451   | 9        |             |          | (22)  | 438            |                      | 438         |
|                               | ₩ 94,881  | 41,093   | (28,496)    | (689)    | (282) | 106,507        | 60,764               | 45,743      |

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

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**18. 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 March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| <b>Finance Lease Liabilities</b>                            |                |                   |
| Current installments of long-term finance lease liabilities | ₩ 2,791        | 3,804             |
| Long-term finance lease liabilities                         |                | 26                |
|   | ₩ 2,791        | 3,830             |

The Group's related interest and principal as of March 31, 2015, December 31, 2014 are as follows:

*(In millions of won)*

|   | March 31, 2015        |               | December 31, 2014     |               |
|---|-----------------------|---------------|-----------------------|---------------|
|   | Minimum lease payment | Present value | Minimum lease payment | Present value |
| Less than 1 year  | ₩ 2,855               | 2,791         | 3,909                 | 3,804         |
| 1~5 years   |                       |               | 26                    | 26            |
| Sub-total   | 2,855                 | 2,791         | 3,935                 | 3,830         |
| Current installments of long-term finance lease liabilities |                       | (2,791)       |                       | (3,804)       |
| Long-term finance lease liabilities                         | ₩                     |               |                       | 26            |

## (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 March 31, 2015 are as follows:

*(In millions of won)*

|                   | <b>Lease payments</b> | <b>Lease revenues</b> |
|-------------------|-----------------------|-----------------------|
| Less than 1 year  | ₩ 37,904              | 3,496                 |
| 1~5 years         | 82,405                | 1,026                 |
| More than 5 years | 45,753                | 705                   |
|                   | ₩ 166,062             | 5,227                 |

### (3) Sale 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 explained in Note 18-(2).

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**19. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 467,639             | 437,844                  |
| Fair value of plan assets                    | (339,824)             | (346,257)                |
|  | ₩ 127,815             | 91,587                   |

(2) Principal actuarial assumptions as of March 31, 2015 and December 31, 2014 are as follows:

|   | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|-----------------------|--------------------------|
| Discount rate for defined benefit obligations | 2.13% ~ 3.70%         | 2.23% ~ 3.70%            |
| Expected rate of salary increase              | 2.51% ~ 7.39%         | 2.51% ~ 7.39%            |

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

(3) Changes in defined benefit obligations for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                          | <b>For the three-month period ended</b> |                       |
|--------------------------|---|-----------------------|
|                          | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Beginning balance        | ₩ 437,844                               | 312,494               |
| Current service cost     | 26,047                                  | 37,256                |
| Interest cost            | 2,965                                   | 2,779                 |
| Remeasurement            |   |                       |
| - Demographic assumption | (28)                                    |                       |



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|                                  |           |          |
|----------------------------------|-----------|----------|
| - Financial assumption           | 2,439     |          |
| - Adjustment based on experience | 5,648     | 4,442    |
| Benefit paid                     | (12,193)  | (25,534) |
| Others(*)                        | 4,917     | 3,635    |
| Ending balance                   | ₩ 467,639 | 335,072  |

(\*) In addition to amounts transferred to construction in progress, others include liabilities in relation to executives transferred from affiliates of ₩4,408 million and ₩3,151 million for the three-month periods ended March 31, 2015 and 2014, respectively.

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**19. Defined Benefit Liabilities, Continued**

(4) Changes in plan assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                       | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Beginning balance                                 | ₩ 346,257                               | 238,293               |
| Interest income                                   | 2,352                                   | 2,297                 |
| Actuarial loss                                    | (2,326)                                 | (709)                 |
| Contributions by employer directly to plan assets | 111                                     | 95                    |
| Benefit paid                                      | (8,811)                                 | (5,593)               |
| Others  | 2,241                                   | 1,681                 |
| Ending balance                                    | ₩ 339,824                               | 236,064               |

(5) Expenses recognized in profit and loss for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Current service cost        | ₩ 26,047                                | 37,256                |
| Net interest cost           | 613                                     | 482                   |
|                             | ₩ 26,660                                | 37,738                |

The above costs are recognized in labor cost or research and development.

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**20. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of March 31, 2015 are as follows:

*(In thousands of foreign currencies)*

| <b>Borrowing date</b> | <b>Hedged item</b>  | <b>Hedged risk</b>                               | <b>Contract type</b>        | <b>Financial institution</b>        | <b>Duration of contract</b>   |
|-----------------------|---|--|-----------------------------|-------------------------------------|-------------------------------|
| Jul. 20, 2007         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)                  | Foreign currency risk                            | Currency swap               | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012         | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)                  | Foreign currency risk                            | Currency swap               | Citibank and five other banks       | Jun. 12, 2012 ~ Jun.12, 2017  |
| Nov. 1, 2012          | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)                  | Foreign currency risk                            | Currency swap               | Barclays and nine other banks       | Nov. 1, 2012~ May 1, 2018     |
| Jan. 17, 2013         | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)             | Foreign currency risk                            | Currency swap               | BNP Paribas and three other banks   | Jan. 17, 2013 ~ Nov. 17, 2017 |
| Mar. 7, 2013          | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | Foreign currency risk and the interest rate risk | Currency interest rate swap | DBS Bank                            | Mar. 7, 2013 ~ Mar. 7, 2020   |
| Oct. 29, 2013         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)                  | Foreign currency risk                            | Currency swap               | Korea Development Bank and others   | Oct. 29, 2013 ~ Oct. 26, 2018 |
| Dec. 16, 2013         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 86,338)                   | Foreign currency risk                            | Currency swap               | Deutsche bank                       | Dec. 16, 2013 ~ Apr. 29, 2022 |

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**20. Derivative Instruments, Continued**

- (2) As of March 31, 2015, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

(In millions of won and thousands of foreign currencies)

| Hedged item   | Accumulated gain (loss) on valuation of derivatives | Fair value                 |  |            | Held for trading purpose | Total    |
|---|---|----------------------------|--|------------|--------------------------|----------|
|   |   | Cash flow hedge Tax effect | Accumulated foreign currency translation (gain) loss | Others (*) |                          |          |
| <b>Non-current assets:</b>  |   |                            |  |            |                          |          |
| Structured bond (face value of KRW 100,000)   | ₩   |                            |  |            | 10,442                   | 10,442   |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)      | (37,223)  | (11,884)                   | (15,257)   | 129,806    |                          | 65,442   |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)      | 6,648   |                            | (371)  |            |                          | 6,277    |
| <b>Total assets</b>   |   |                            |  |            | ₩                        | 82,161   |
| <b>Non-current liabilities:</b>   |   |                            |  |            |                          |          |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)      | ₩ (6,683)   | (2,134)                    | (20,620)   |            |                          | (29,437) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)      | (19,681)  | (6,284)                    | 10,088   |            |                          | (15,877) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | 4,779   | 1,526                      | (81,472)   |            |                          | (75,167) |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of  | (5,848)   | (1,867)                    | 6,402  |            |                          | (1,313)  |

|  |         |         |       |                    |
|--|---------|---------|-------|--------------------|
| USD 300,000)   |         |         |       |                    |
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 86,338) | (4,152) | (1,325) | 4,294 | (1,183)            |
| <b>Total liabilities</b>   |         |         |       | <b>₩ (122,977)</b> |

(\*) Cash flow hedge accounting has been applied to the relevant contracts 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 May 12, 2010.

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

The Parent Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of March 31, 2015 and December 31, 2014 are as follows:

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

|   | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|-----------------------|--------------------------|
| Authorized shares                                     | 220,000,000           | 220,000,000              |
| Issued shares (*1)                                    | 80,745,711            | 80,745,711               |
| <b>Share capital</b>                                  |                       |                          |
| Common stock  | ₩ 44,639              | 44,639                   |
| <b>Capital surplus and other capital adjustments:</b> |                       |                          |
| Paid-in surplus                                       | 2,915,887             | 2,915,887                |
| Treasury stock (Note 22)                              | (2,139,683)           | (2,139,683)              |
| Loss on disposal of treasury stock                    | (18,087)              | (18,087)                 |
| Hybrid bond (Note 23)                                 | 398,518               | 398,518                  |
| Others (*2)   | (878,871)             | (878,637)                |
|   | <b>₩ 277,764</b>      | <b>277,998</b>           |

(\*1) During the years ended December 31, 2003, 2006 and 2009, the Parent Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Act. As a result, the Parent Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for the three-month period ended March 31, 2015 and the year ended December 31, 2014 and details of shares outstanding as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In shares)</i> | <b>March 31, 2015</b> |                       |                           | <b>December 31, 2014</b> |                       |                           |
|--------------------|-----------------------|-----------------------|---------------------------|--------------------------|-----------------------|---------------------------|
|                    | <b>Issued shares</b>  | <b>Treasury stock</b> | <b>Outstanding shares</b> | <b>Issued shares</b>     | <b>Treasury stock</b> | <b>Outstanding shares</b> |
| Issued shares      | 80,745,711            | 9,809,375             | 70,936,336                | 80,745,711               | 9,809,375             | 70,936,336                |

(\*2) Others primarily consist of the excess of the consideration paid by the Group over the carrying values of net assets acquired from common control transactions with entities within the control of the Ultimate Controlling Entity.

## 22. Treasury Stock

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

Treasury stock as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won, shares)</i> |                       |                          |
|-------------------------------------|-----------------------|--------------------------|
|                                     | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
| Number of shares                    | 9,809,375             | 9,809,375                |
| Amount                              | ₩ 2,139,683           | 2,139,683                |

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**23. Hybrid Bond**

Hybrid bonds classified as equity as of March 31, 2015 are as follows:

*(In millions of won)*

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

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

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

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

**24. Retained Earnings**

(1) Retained earnings as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| Appropriated:                               |                |                   |
| Legal reserve                               | ₩ 22,320       | 22,320            |
| Reserve for research & manpower development | 87,300         | 151,533           |
| Reserve for business expansion              | 9,671,138      | 9,476,138         |



|                                    |              |            |
|------------------------------------|--------------|------------|
| Reserve for technology development | 2,616,300    | 2,416,300  |
|                                    | 12,397,058   | 12,066,291 |
| Unappropriated                     | 1,632,602    | 2,122,300  |
|                                    | ₩ 14,029,660 | 14,188,591 |

## (2) Legal reserve

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

## (3) Reserve for research &amp; manpower development

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

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**25. Reserves**

(1) Details of reserves, net of taxes, as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Unrealized fair value of available-for-sale financial assets             | ₩ 217,257             | 235,385                  |
| Other comprehensive loss of investments in associates and joint ventures | (159,362)             | (163,808)                |
| Unrealized fair value of derivatives                                     | (66,995)              | (77,531)                 |
| Foreign currency translations differences for foreign operations         | 2,620                 | 1,465                    |
|  | <b>₩ (6,480)</b>      | <b>(4,489)</b>           |

(2) Change in reserves for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                            | <b>Unrealized fair value of available-for-sale financial assets</b> | <b>Other comprehensive loss of investment in associates</b> | <b>Unrealized fair value of derivatives</b> | <b>Foreign currency translations differences for foreign operations</b> | <b>Total</b> |
|----------------------------|---|---|---|---|--------------|
| Balance at January 1, 2014 | ₩ 208,529   | (172,117)   | (35,429)                                    | (13,253)  | (12,270)     |
| Changes                    | (22,574)  | (848)   | 5,891                                       | 1,656   | (15,875)     |
| Tax effect                 | 8,408   | 38  | (1,395)                                     |   | 7,051        |
| Balance at March 31, 2014  | ₩ 194,363   | (172,927)   | (30,933)                                    | (11,597)  | (21,094)     |
| Balance at January 1, 2015 | ₩ 235,385   | (163,808)   | (77,531)                                    | 1,465   | (4,489)      |
| Changes                    | (24,059)  | 4,465   | 13,537                                      | 1,155   | (4,902)      |
| Tax effect                 | 5,931   | (19)  | (3,001)                                     |   | 2,911        |
| Balance at March 31, 2015  | ₩ 217,257   | (159,362)   | (66,995)                                    | 2,620   | (6,480)      |



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**26. Other Operating Expenses**

Details of other operating expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>              | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Other Operating Expenses:</b>         |   |                       |
| Communication expenses                   | ₩ 12,539                                | 14,304                |
| Utilities                                | 66,132                                  | 62,798                |
| Taxes and dues                           | 8,354                                   | 8,238                 |
| Repair                                   | 65,857                                  | 64,609                |
| Research and development                 | 69,470                                  | 100,906               |
| Training                                 | 7,441                                   | 7,577                 |
| Bad debt for accounts receivable - trade | 13,013                                  | 6,191                 |
| Travel                                   | 6,811                                   | 6,757                 |
| Supplies and other                       | 45,704                                  | 53,329                |
|  | <b>₩ 295,321</b>                        | <b>324,709</b>        |

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

- (1) Details of other non-operating income and expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                                      | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Other Non-operating Income:</b>                               |   |                       |
| Fees revenues  | ₩ 122                                   | 1,515                 |
| Gain on disposal of property and equipment and intangible assets | 924                                     | 2,026                 |
| Reversal of allowance for doubtful accounts                      | 2,154                                   |                       |
| Others   | 7,139                                   | 16,302                |
|  | <b>₩ 10,339</b>                         | <b>19,843</b>         |

| <b>Other Non-operating Expenses:</b>                               |   |        |        |
|--|---|--------|--------|
| Loss on impairment of property and equipment and intangible assets | ₩ | 1,023  | 2,928  |
| Loss on disposal of property and equipment and intangible assets   |   | 2,010  | 2,284  |
| Donations  |   | 5,831  | 8,388  |
| Bad debt for accounts receivable other                             |   |        | 2,971  |
| Loss on impairment of investment assets                            |   | 9,271  | 127    |
| Others(*)  |   | 29,995 | 19,234 |
|  | ₩ | 48,130 | 35,932 |

(\*) Others for the three-month periods ended March 31, 2015 and 2014 primarily consists of penalties amounting to ₩24.4 billion and ₩16.7 billion, respectively.

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**28. Finance Income and Costs**

- (1) Details of finance income and costs for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Finance Income:</b>  |   |                       |
| Interest income   | ₩ 12,801                                | 15,481                |
| Dividends   | 13,296                                  | 9,628                 |
| Gain on foreign currency transactions                                 | 3,474                                   | 4,299                 |
| Gain on foreign currency translations                                 | 780                                     | 1,526                 |
| Gain on disposal of long-term investment securities                   | 2,646                                   | 4,918                 |
| Gain on valuation of derivatives                                      | 1,729                                   | 4,050                 |
| Gain on settlement of derivatives                                     |   | 119                   |
| Gain relating to financial asset at fair value through profit or loss |   | 1,068                 |
|   | ₩ 34,726                                | 41,089                |

| <i>(In millions of won)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Finance Costs:</b>   |   |                       |
| Interest expense  | ₩ 75,516                                | 78,636                |
| Loss on foreign currency transactions                                       | 5,314                                   | 4,025                 |
| Loss on foreign currency translations                                       | 1,044                                   | 5,069                 |
| Loss on disposal of long-term investment securities                         | 2                                       | 2,139                 |
| Loss relating to financial liabilities at fair value through profit or loss | 1,951                                   | 5                     |
|   | ₩ 83,827                                | 89,874                |

- (2) Details of interest income included in finance income for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                           | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest income on cash equivalents and deposits      | ₩ 5,383                                 | 9,648                 |
| Interest income on installment receivables and others | 7,418                                   | 5,833                 |
|   | ₩ 12,801                                | 15,481                |

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

- (3) Details of interest expense included in finance costs for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                        | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest expense on bank overdrafts and borrowings | ₩ 4,538                                 | 5,259                 |
| Interest expense on debentures                     | 59,551                                  | 60,287                |
| Interest on finance lease liabilities              | 28                                      | 200                   |
| Others   | 11,399                                  | 12,890                |
|  | <b>₩ 75,516</b>                         | <b>78,636</b>         |

- (4) Details of impairment losses for financial assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>              | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Bad debt for accounts receivable - trade | ₩ 13,013                                | 6,191                 |
| Bad debt for accounts receivable - other |   | 2,971                 |
|  | <b>₩ 13,013</b>                         | <b>9,162</b>          |

**29. Income Tax Expense**

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



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**30. Earnings per Share**

## (1) Basic earnings per share

- 1) Basic earnings per share for the three-month periods ended March 31, 2015 and 2014 are calculated as follows:

| <i>(In millions of won, shares)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Basic earnings per share attributable to owners of the Parent Company:</b> |   |                       |
| Profit attributable to owners of the Parent Company on common shares          | ₩ 444,495                               | 269,814               |
| Weighted average number of common shares outstanding                          | 70,936,336                              | 70,936,336            |
| Basic earnings per share (In won)   | ₩ 6,266                                 | 3,804                 |

- 2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2015 and 2014 are calculated as follows:

| <i>(In shares)</i>                                   | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Outstanding common shares                            | 80,745,711                              | 80,745,711            |
| Weighted average number of treasury stocks           | (9,809,375)                             | (9,809,375)           |
| Weighted average number of common shares outstanding | 70,936,336                              | 70,936,336            |

## (2) Diluted earnings per share

For the three-month periods ended March 31, 2015 and 2014, there were no potentially dilutive shares. Therefore, diluted earnings per share for the three-month periods ended March 31, 2015 and 2014 are the same as basic earnings per share.

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**31. Categories of Financial Instruments**

(1) Financial assets by categories as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                                  | <b>March 31, 2015</b>  |  |                              |   |              |
|----------------------------------|--|--|------------------------------|---|--------------|
|                                  | <b>Financial assets at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Loans and receivables</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Cash and cash equivalents        | ₩  |  | 740,420                      |   | 740,420      |
| Financial instruments            |  |  | 314,607                      |   | 314,607      |
| Short-term investment securities |  | 310,105                                    |                              |   | 310,105      |
| Long-term investment securities  |  | 879,855                                    |                              |   | 879,855      |
| Accounts receivable - trade      |  |  | 2,444,657                    |   | 2,444,657    |
| Loans and other receivables(*)   |  |  | 1,120,810                    |   | 1,120,810    |
| Derivative financial assets      | 10,442   |  |                              | 71,719  | 82,161       |
|                                  | ₩ 10,442   | 1,189,960                                  | 4,620,494                    | 71,719  | 5,892,615    |

*(In millions of won)*

|                                  | <b>December 31, 2014</b>                                     |  |                              |   |              |
|----------------------------------|--|--|------------------------------|---|--------------|
|                                  | <b>Financial assets at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Loans and receivables</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Cash and cash equivalents        | ₩  |  | 834,429                      |   | 834,429      |
| Financial instruments            |  |  | 313,699                      |   | 313,699      |
| Short-term investment securities |  | 280,161                                    |                              |   | 280,161      |
| Long-term investment securities  | 7,817  | 948,463                                    |                              |   | 956,280      |
| Accounts receivable - trade      |  |  | 2,460,686                    |   | 2,460,686    |
| Loans and other receivables(*)   |  |  | 1,123,507                    |   | 1,123,507    |

|                             |          |           |           |        |           |
|-----------------------------|----------|-----------|-----------|--------|-----------|
| Derivative financial assets | 8,713    |           |           | 61,322 | 70,035    |
|                             | ₩ 16,530 | 1,228,624 | 4,732,321 | 61,322 | 6,038,797 |

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For the three-month periods ended March 31, 2015 and 2014

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

(1) Financial assets by categories as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(\*) Details of loans and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                                       | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---------------------------------------|-----------------------|--------------------------|
| Short-term loans                      | ₩ 78,247              | 74,512                   |
| Accounts receivable - other           | 670,728               | 690,527                  |
| Accrued income                        | 10,460                | 10,134                   |
| Other current assets                  | 4,358                 | 3,866                    |
| Long-term loans                       | 58,850                | 55,728                   |
| Long-term accounts receivable - other | 3,626                 | 3,596                    |
| Guarantee deposits                    | 294,541               | 285,144                  |
|                                       | ₩ 1,120,810           | 1,123,507                |

(2) Financial liabilities by categories as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | <b>March 31, 2015</b>   |   |   |              |
|---|---|---|---|--------------|
|   | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Accounts payable - trade                | ₩   | 299,432   |   | 299,432      |
| Derivative financial liabilities        |   |   | 122,977   | 122,977      |
| Borrowings                              |   | 561,810   |   | 561,810      |
| Debentures(*1)                          | 112,317   | 6,311,485   |   | 6,423,802    |
| Accounts payable - other and others(*2) |   | 3,168,727   |   | 3,168,727    |
|   | ₩ 112,317   | 10,341,454  | 122,977   | 10,576,748   |

*(In millions of won)*

|   | <b>December 31, 2014</b>  |   |   |              |
|---|---|---|---|--------------|
|   | <b>Financial<br/>liabilities at<br/>fair value<br/>through<br/>profit or<br/>loss</b> | <b>Financial<br/>liabilities<br/>measured<br/>at<br/>amortized<br/>cost</b> | <b>Derivative<br/>financial<br/>instruments<br/>designated<br/>as hedged<br/>item</b> | <b>Total</b> |
| Accounts payable - trade                | ₩   | 275,495   |   | 275,495      |
| Derivative financial liabilities        |   |   | 130,889   | 130,889      |
| Borrowings                              |   | 537,562   |   | 537,562      |
| Debentures(*1)                          | 110,365   | 6,108,265   |   | 6,218,630    |
| Accounts payable - other and others(*2) |   | 3,241,615   |   | 3,241,615    |
|   | ₩ 110,365   | 10,162,937  | 130,889   | 10,404,191   |

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For the three-month periods ended March 31, 2015 and 2014

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

(2) Financial liabilities by categories as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(\*1) Bonds classified as financial liabilities at fair value through profit or loss as of March 31, 2015 and December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.

(\*2) Details of accounts payable and other payables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Accounts payable - other                   | ₩ 1,659,637           | 1,381,850                |
| Withholdings                               | 1,834                 | 1,760                    |
| Accrued expenses                           | 789,185               | 952,418                  |
| Current installments of long-term payables |                       |                          |
| - other                                    | 124,325               | 193,193                  |
| Long-term payables - other                 | 566,386               | 684,567                  |
| Finance lease liabilities                  |                       | 26                       |
| Other non-current liabilities              | 27,360                | 27,801                   |
|  | ₩ 3,168,727           | 3,241,615                |

**32. Financial Risk Management**

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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



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**32. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary foreign currency assets and liabilities as of March 31, 2015 are as follows:

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

|        | Assets             |                 | Liabilities        |                 |
|--------|--------------------|-----------------|--------------------|-----------------|
|        | Foreign currencies | Won translation | Foreign Currencies | Won translation |
| USD    | 164,812            | ₩ 182,095       | 1,875,464          | ₩ 2,072,387     |
| EUR    | 15,133             | 18,145          | 178                | 214             |
| JPY    | 35,869             | 330             | 1,828              | 17              |
| AUD    |                    |                 | 298,655            | 252,543         |
| CHF    |                    |                 | 299,059            | 341,756         |
| Others | 167                | 176             | 315                | 93              |
|        |                    | ₩ 200,746       |                    | ₩ 2,667,010     |

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

As of March 31, 2015, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

*(In millions of won)*

|        |   | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|--------|---|----------------------------|----------------------------|
| USD    | ₩ | 6,521                      | (6,521)                    |
| EUR    |   | 1,760                      | (1,760)                    |
| JPY    |   | 31                         | (31)                       |
| Others |   | 8                          | (8)                        |
|        | ₩ | 8,320                      | (8,320)                    |

**(ii) Equity price risk**

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of March 31, 2015, available-for-sale equity instruments measured at fair value amount of ₩823,780 million.

**(iii) Interest rate risk**

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

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

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For the three-month periods ended March 31, 2015 and 2014

**32. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 1) Market risk, Continued

## (iii) Interest rate risk, Continued

The Group's interest rate risk arises from floating-rate borrowings and debentures. As of March 31, 2015, floating-rate borrowings and debentures amount to ₩31,000 million and ₩331,500 million respectively, the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. (See Note 20) If interest rate only increases (decreases) by 1%, income before income taxes for the three-month period ended March 31, 2015 would have been changed ₩310 million due to the interest expense from floating-rate borrowings.

## 2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|-----------------------|--------------------------|
| Cash and cash equivalents                             | ₩ 740,230             | 833,129                  |
| Financial instruments                                 | 314,607               | 313,699                  |
| Available-for-sale financial assets                   | 15,624                | 15,498                   |
| Accounts receivable trade                             | 2,444,657             | 2,460,686                |
| Loans and receivables                                 | 1,120,810             | 1,123,507                |
| Derivative financial assets                           | 82,161                | 70,035                   |
| Financial assets at fair value through profit or loss |                       | 7,817                    |
|   | <b>₩ 4,718,089</b>    | <b>4,824,371</b>         |

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

For the three-month period ended March 31, 2015, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of March 31, 2015.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 28.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**32. Financial Risk Management, Continued**

(1) Financial risk management, Continued

## 3) Liquidity risk

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

Contractual maturities of financial liabilities as of March 31, 2015 are as follows:

*(In millions of won)*

|   | Carrying<br>amount | Contractual<br>cash flows | Less than<br>1 year | 1 - 5 years | More<br>than<br>5 years |
|---|--------------------|---------------------------|---------------------|-------------|-------------------------|
| Accounts payable - trade                | ₩ 299,432          | 299,432                   | 299,432             |             |                         |
| Borrowings(*1)                          | 561,810            | 577,810                   | 418,299             | 126,666     | 32,845                  |
| Debentures(*1)                          | 6,423,802          | 7,783,186                 | 747,281             | 4,386,337   | 2,649,568               |
| Accounts payable - other and others(*2) | 3,168,727          | 3,245,579                 | 2,539,966           | 577,931     | 127,682                 |
|   | ₩ 10,453,771       | 11,906,007                | 4,004,978           | 5,090,934   | 2,810,095               |

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

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

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

As of March 31, 2015, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

*(In millions of won)*

|             | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5<br/>years</b> | <b>More than<br/>5 years</b> |
|-------------|----------------------------|-----------------------------------|-----------------------------|------------------------|------------------------------|
| Assets      | ₩ 71,719                   | 77,442                            | 6,535                       | 43,110                 | 27,797                       |
| Liabilities | (122,977)                  | (127,972)                         | (15,752)                    | (111,777)              | (443)                        |
|             | ₩ (51,258)                 | (50,530)                          | (9,217)                     | (68,667)               | 27,354                       |

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For the three-month periods ended March 31, 2015 and 2014

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

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Group is the same as that of the group as of and for the year ended December 31, 2014.

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

Debt-equity ratio as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | <b>March 31,</b> | <b>December 31, 2014</b> |
|-----------------------------|------------------|--------------------------|
|                             | <b>2015</b>      |                          |
| Liabilities                 | ₩ 12,747,266     | 12,692,963               |
| Equity                      | 15,077,151       | 15,248,270               |
| Debt-equity ratio           | 84.55%           | 83.24%                   |

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**32. Financial Risk Management, Continued**

## (3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of March 31, 2015 are as follows:

*(In millions of won)*

|   | Carrying<br>amount | Level 1 | Level 2 | Level 3 | Total   |
|---|--------------------|---------|---------|---------|---------|
| <b>Financial assets that can be measured at fair value</b>      |                    |         |         |         |         |
| Financial assets at fair value through profit or loss           | ₩ 10,442           |         | 10,442  |         | 10,442  |
| Derivative financial assets                                     | 71,719             |         | 71,719  |         | 71,719  |
| Available-for-sale financial assets                             | 823,780            | 640,748 | 47,105  | 135,927 | 823,780 |
|   | ₩ 905,941          | 640,748 | 129,266 | 135,927 | 905,941 |
| <b>Financial assets that cannot be measured at fair value</b>   |                    |         |         |         |         |
| Cash and cash equivalents(*1)                                   | ₩ 740,420          |         |         |         |         |
| Available-for-sale financial assets(*1,2)                       | 366,180            |         |         |         |         |
| Accounts receivable trade and others(*1)                        | 3,565,467          |         |         |         |         |
| Financial instruments(*1)                                       | 314,607            |         |         |         |         |
|   | ₩ 4,986,674        |         |         |         |         |
| <b>Financial liabilities that can be measured at fair value</b> |                    |         |         |         |         |
| Financial liabilities at fair value through profit or loss      | ₩ 112,317          |         | 112,317 |         | 112,317 |
| Derivative financial liabilities                                | 122,977            |         | 122,977 |         | 122,977 |
|   | ₩ 235,294          |         | 235,294 |         | 235,294 |



**Financial liabilities that cannot be measured  
at fair value**

|   |   |            |           |           |
|---|---|------------|-----------|-----------|
| Accounts payable - trade(*1)            | ₩ | 299,432    |           |           |
| Borrowings                              |   | 561,810    | 568,076   | 568,076   |
| Debentures                              |   | 6,311,485  | 6,810,629 | 6,810,629 |
| Accounts payable - other and others(*1) |   | 3,168,727  |           |           |
|   | ₩ | 10,341,454 | 7,378,705 | 7,378,705 |

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For the three-month periods ended March 31, 2015 and 2014

**32. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

*(In millions of won)*

|   | Carrying<br>amount | Level 1 | Level 2 | Level 3 | Total   |
|---|--------------------|---------|---------|---------|---------|
| <b>Financial assets that can be measured at fair value</b>      |                    |         |         |         |         |
| Financial assets at fair value through profit or loss           | ₩ 16,530           |         | 8,713   | 7,817   | 16,530  |
| Derivative financial assets                                     | 61,322             |         | 61,322  |         | 61,322  |
| Available-for-sale financial assets                             | 846,614            | 657,286 | 47,002  | 142,326 | 846,614 |
|   | ₩ 924,466          | 657,286 | 117,037 | 150,143 | 924,466 |
| <b>Financial assets that cannot be measured at fair value</b>   |                    |         |         |         |         |
| Cash and cash equivalents(*1)                                   | ₩ 834,429          |         |         |         |         |
| Available-for-sale financial assets(*1,2)                       | 382,010            |         |         |         |         |
| Accounts receivable trade and others(*1)                        | 3,584,193          |         |         |         |         |
| Financial instruments(*1)                                       | 313,699            |         |         |         |         |
|   | ₩ 5,114,331        |         |         |         |         |
| <b>Financial liabilities that can be measured at fair value</b> |                    |         |         |         |         |
| Financial liabilities at fair value through profit or loss      | ₩ 110,365          |         | 110,365 |         | 110,365 |
| Derivative financial liabilities                                | 130,889            |         | 130,889 |         | 130,889 |
|   | ₩ 241,254          |         | 241,254 |         | 241,254 |

**Financial liabilities that cannot be measured  
at fair value**

|   |   |            |           |           |
|---|---|------------|-----------|-----------|
| Accounts payable - trade(*1)            | ₩ | 275,495    |           |           |
| Borrowings                              |   | 537,562    | 549,083   | 549,083   |
| Debentures                              |   | 6,108,265  | 6,514,832 | 6,514,832 |
| Accounts payable - other and others(*1) |   | 3,241,615  |           |           |
|   | ₩ | 10,162,937 | 7,063,915 | 7,063,915 |

(\*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

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

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

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For the three-month periods ended March 31, 2015 and 2014

**32. Financial Risk Management, Continued**

## (3) Fair value, Continued

The Group uses various valuation methods for valuation of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Group performs valuation using the inputs which are consistent with natures of assets and liabilities being evaluated.

Interest rates used by the Group for the fair value measurement as of March 31, 2015 are as follows:

|                           | <b>Interest rate</b> |
|---------------------------|----------------------|
| Derivative instruments    | 1.70 ~ 2.03%         |
| Borrowings and debentures | 2.11 ~ 2.17%         |

- 3) There have been no transfers from Level 2 to Level 1 for the three-month period ended March 31, 2015 and changes of financial assets classified as Level 3 for the three-month period ended March 31, 2015 are as follows:

*(In millions of won)*

|                                     | <b>Balance at<br/>January 1</b> | <b>Acquisition</b> | <b>Other<br/>comprehensive<br/>loss</b> | <b>Balance at<br/>March 31</b> |
|-------------------------------------|---------------------------------|--------------------|---|--------------------------------|
| Available-for-sale financial assets | ₩ 142,326                       | 2,544              | (8,943)                                 | 135,927                        |

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**32. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of March 31, 2015 are as follows:

*(In millions of won)*

|                                      |   | Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Cash collaterals received | Net amount |
|--------------------------------------|---|--|---|---|--|---------------------------|------------|
| <b>Financial assets:</b>             |   |  |   |   |  |                           |            |
| Derivatives(*)                       | ₩ | 54,070                                 |   | 54,070  | (45,421)   |                           | 8,649      |
| Accounts receivable trade and others |   | 106,905                                | (97,155)                                      | 9,750   |  |                           | 9,750      |
|                                      | ₩ | 160,975                                | (97,155)                                      | 63,820  | (45,421)   |                           | 18,399     |
| <b>Financial liabilities:</b>        |   |  |   |   |  |                           |            |
| Derivatives(*)                       | ₩ | 45,421                                 |   | 45,421  | (45,421)   |                           |            |
| Accounts payable trade and others    |   | 97,155                                 | (97,155)                                      |   |  |                           |            |
|                                      | ₩ | 142,576                                | (97,155)                                      | 45,421  | (45,421)   |                           |            |

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2014 are as follows:

*(In millions of won)*

|  |  | Gross financial instruments recognized | Gross offset financial instruments recognized | Net financial instruments presented on the statements of financial position | Relevant amount not offset on the statements of financial position | Cash collaterals received | Net amount |
|--|--|--|---|---|--|---------------------------|------------|
|--|--|--|---|---|--|---------------------------|------------|

| <b>Financial assets:</b>             |   |         |           |        |          |        |
|--------------------------------------|---|---------|-----------|--------|----------|--------|
| Derivatives(*)                       | ₩ | 48,057  |           | 48,057 | (45,892) | 2,165  |
| Accounts receivable trade and others |   | 128,794 | (117,568) | 11,226 |          | 11,226 |
|                                      | ₩ | 176,851 | (117,568) | 59,283 | (45,892) | 13,391 |
| <b>Financial liabilities:</b>        |   |         |           |        |          |        |
| Derivatives(*)                       | ₩ | 45,892  |           | 45,892 | (45,892) |        |
| Accounts payable trade and others    |   | 117,568 | (117,568) |        |          |        |
|                                      | ₩ | 163,460 | (117,568) | 45,892 | (45,892) |        |

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

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**33. Transactions with Related Parties**

## (1) List of related parties

| <b>Relationship</b>         | <b>Company</b>  |
|-----------------------------|---|
| Ultimate Controlling Entity | SK Holding Co., Ltd.  |
| Subsidiaries                | SK Planet Co., Ltd. and 38 others (See Note 1)  |
| Joint ventures              | Dogus Planet, Inc. and four others  |
| Associates                  | SK hynix Inc. and 50 others   |
| Affiliates                  | The Ultimate Controlling Entity's investee under equity method, the Ultimate Controlling Entity's subsidiaries and associates, etc. |

## (2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The compensation given to such key management for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>       | <b>For the three-month period ended</b> |                       |
|-----------------------------------|---|-----------------------|
|                                   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Salaries                          | ₩ 1,357                                 | 1,339                 |
| Provision for retirement benefits | 121                                     | 568                   |
|                                   | ₩ 1,478                                 | 1,907                 |

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.

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**33. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

| Scope                       | Company  | For the three-month period ended March 31, 2015 |                              |                                       |              |
|-----------------------------|--|---|------------------------------|---------------------------------------|--------------|
|                             |  | Operating revenue and others                    | Operating expense and others | Acquisition of property and equipment | Loans        |
| Ultimate Controlling Entity | SK Holding Co., Ltd.(*1)                       | ₩ 154   | 179,881                      |                                       |              |
| Associates                  | F&U Credit information Co., Ltd.               | 670   | 12,239                       |                                       |              |
|                             | HappyNarae Co., Ltd.                           | 72  | 958                          | 388                                   |              |
|                             | SK hynix Inc.(*2)                              | 47,550  | 5                            |                                       |              |
|                             | SK Wyverns Baseball Club., Ltd.                | 1,852   | 9,829                        |                                       |              |
|                             | KEB HanaCard Co., Ltd.                         | 5,432   | 5,727                        |                                       |              |
|                             | Xian Tianlong Science and Technology Co., Ltd. |   |                              |                                       | 7,032        |
|                             | Others   | 1,393   | 4,518                        | 1,130                                 | 500          |
|                             |  | 56,969  | 33,276                       | 1,518                                 | 7,532        |
| Other                       | SK Engineering & Construction Co., Ltd.        | 3,582   | 1,980                        | 52,335                                |              |
|                             | SK C&C Co., Ltd.                               | 3,941   | 81,569                       | 41,235                                |              |
|                             | SK Networks Co., Ltd.                          | 1,705   | 364,799                      |                                       |              |
|                             | SK Networks Services Co., Ltd.                 | 2,347   | 12,881                       | 4                                     |              |
|                             | SK Telesys Co., Ltd.                           | 102   | 11,441                       | 61,017                                |              |
|                             | SK Energy Co., Ltd.                            | 1,138   | 216                          |                                       |              |
|                             | SK Gas Co., Ltd.                               | 1,072   |                              |                                       |              |
|                             | Others   | 6,466   | 9,480                        | 349                                   |              |
|                             |  | 20,353  | 482,366                      | 154,940                               |              |
| <b>Total</b>                |  | <b>₩ 77,476</b>                                 | <b>695,523</b>               | <b>156,458</b>                        | <b>7,532</b> |

(\*1) Operating expense and others include ₩171,053 million of dividends declared by the Parent Company.



(\*2) Operating revenue and others include ~~₩~~43,830 million of dividends declared by the associates and deducted from the investment in associates.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**33. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three-month periods ended March 31, 2015 and 2014 are as follows, Continued:

*(In millions of won)*

| Scope                       | Company                                 | For the three-month period ended March 31, 2014 |                              |                                       |
|-----------------------------|---|---|------------------------------|---------------------------------------|
|                             |   | Operating revenue and others                    | Operating expense and others | Acquisition of property and equipment |
| Ultimate Controlling Entity | SK Holding Co., Ltd.(*1)                | ₩ 125   | 179,740                      |                                       |
| Associates                  | F&U Credit information Co., Ltd.        | 523   | 12,242                       |                                       |
|                             | HappyNarae Co., Ltd.                    | 55  | 1,545                        | 893                                   |
|                             | SK hynix Inc.                           | 2,714   | 879                          |                                       |
|                             | SK Wyverns Baseball Club Co., Ltd.      | 48  | 8,921                        |                                       |
|                             | HanaSK Card Co., Ltd.(*2)               | 10,257  | 1,219                        |                                       |
|                             | Others                                  | 1,295   | 3,469                        |                                       |
|                             |   |   | 14,892                       | 28,275                                |
| Other                       | SK Engineering & Construction Co., Ltd. | 848   |                              | 30,063                                |
|                             | SK C&C Co., Ltd.                        | 3,906   | 83,084                       | 26,045                                |
|                             | SK Networks Co., Ltd.                   | 6,125   | 377,533                      | 799                                   |
|                             | SK Networks Service Co., Ltd.           | 64  | 18,631                       |                                       |
|                             | SK Telesys Co., Ltd                     | 122   | 20,436                       | 23,965                                |
|                             | SK Energy Co., Ltd.                     | 4,014   | 222                          |                                       |
|                             | SK Gas Co., Ltd.                        | 3,166   |                              |                                       |
|                             | Others                                  | 4,898   | 9,534                        | 527                                   |
|                             |   | 23,143  | 509,440                      | 81,399                                |
| Total                       |   | ₩ 38,160  | 717,455                      | 82,292                                |

(\*1) Operating expense and others include ₩171,053 million of dividends declared by the Parent Company.

(\*2) During the year ended December 31, 2014, due to the merger with Hana SK Card Co., Ltd., the Parent Company's associate and KEB Card Co., Ltd., the Group exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the surviving company, KEB HanaCard Co., Ltd.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**33. Transactions with Related Parties, Continued**

(4) Account balances as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

| Scope                       | Company  | Loans  | March 31, 2015   |  |
|-----------------------------|--|--------|--|--|
|                             |  |        | Accounts receivable<br>Accounts<br>receivable-trade,<br>and others | Accounts payable<br>Accounts<br>payable<br>trade, and others |
| Ultimate Controlling Entity | SK Holding Co., Ltd.                           | ₩      | 131  | 171,053  |
| Associates                  | HappyNarae Co., Ltd.                           |        | 3  | 548  |
|                             | F&U Credit information Co., Ltd.               |        | 399  | 1,679  |
|                             | SK hynix Inc.                                  |        | 46,295   | 1  |
|                             | SK Wyverns Baseball Club Co., Ltd.             | 1,221  | 839  | 280  |
|                             | Wave City Development Co., Ltd.                | 1,700  | 38,412   |  |
|                             | Daehan Kanggun BcN Co., Ltd.                   | 22,148 |  |  |
|                             | KEB HanaCard Co., Ltd.                         |        | 1,741  | 4,986  |
|                             | Xian Tianlong Science and Technology Co., Ltd. | 7,032  |  |  |
|                             | Others   |        | 191  | 2,624  |
|                             |  |        | 32,101   | 87,880   |
| Other                       | SK Engineering & Construction Co., Ltd.        |        | 2,686  | 1,453  |
|                             | SK C&C Co., Ltd.                               |        | 1,889  | 65,407   |
|                             | SK Networks. Co., Ltd.                         |        | 2,057  | 196,216  |
|                             | SK Networks Services Co., Ltd.                 |        | 16   | 663  |
|                             | SK Telesys Co., Ltd.                           |        | 282  | 4,379  |
|                             | SK innovation co., ltd.                        |        | 1,468  | 151  |
|                             | SK Energy Co., Ltd.                            |        | 1,248  | 47   |
|                             | SK Gas Co., Ltd.                               |        | 1,372  | 9  |
| Others                      |  | 1,715  | 5,512  |  |
|                             |  |        | 12,733   | 273,837  |

|       |          |         |         |
|-------|----------|---------|---------|
| Total | ₩ 32,101 | 100,744 | 455,008 |
|-------|----------|---------|---------|

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**33. Transactions with Related Parties, Continued**

(4) Account balances as of March 31, 2015 and December 31, 2014 are as follows, Continued:

*(In millions of won)*

| Scope                          | Company                            | Loans                                   | December 31, 2014   |  |        |
|--------------------------------|------------------------------------|---|---|--|--------|
|                                |                                    |   | Accounts receivable<br>Accounts<br>receivable- trade,<br>and others | Accounts payable<br>Accounts<br>payable<br>trade, and others |        |
| Ultimate Controlling Entity    | SK Holding Co., Ltd.               | ₩                                       | 90  |  |        |
| Associates                     | HappyNarae Co., Ltd.               |   | 13  | 2,650  |        |
|                                | F&U Credit information Co., Ltd.   |   | 148   | 797  |        |
|                                | SK hynix Inc.                      |   | 2,800   | 2,840  |        |
|                                | SK Wyverns Baseball Club Co., Ltd. | 1,221                                   |   |  |        |
|                                | Wave City Development Co., Ltd.    | 1,200                                   | 38,412  |  |        |
|                                | Daehan Kanggun BcN Co., Ltd.       | 22,148                                  |   |  |        |
|                                | KEB HanaCard Co., Ltd.             |   | 1,998   | 59   |        |
|                                | Others                             |   | 543   | 1,285  |        |
|                                |                                    |   | 24,569  | 43,914   | 7,631  |
|                                | Other                              | SK Engineering & Construction Co., Ltd. |   | 897  | 27,282 |
| SK C&C Co., Ltd.               |                                    |   | 1,393   | 121,145  |        |
| SK Networks. Co., Ltd.         |                                    |   | 2,608   | 238,351  |        |
| SK Networks Services Co., Ltd. |                                    |   | 16  | 2,922  |        |
| SK Telesys Co., Ltd.           |                                    |   | 321   | 3,037  |        |
| SK innovation co., ltd.        |                                    |   | 1,641   | 271  |        |
| SK Energy Co., Ltd.            |                                    |   | 4,781   | 79   |        |
| SK Gas Co., Ltd.               |                                    |   | 2,143   | 47   |        |
| Others                         |                                    |   | 2,813   | 9,342  |        |
|                                |                                    |   | 16,613  | 402,476  |        |
| <b>Total</b>                   |                                    | <b>₩ 24,569</b>                         | <b>60,617</b>   | <b>410,107</b>   |        |

- (5) As of March 31, 2015, collateral and guarantee provided by the Group for the related parties' financing purposes are as follows. There are no collateral or guarantee provided by related parties to the Group nor the Group to related parties.
- (6) M&Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provides a blank note to SK Energy Co., Ltd., with regard to this transaction.
- (7) During the year ended December 31, 2014, the Group acquired convertible bonds with a face value of ₩6,000 million from Health Connect Co., Ltd. at the face value. The convertible bonds are included in long-term investment securities.
- (8) There were additional investments in associates and joint ventures during the three-month period ended March 31, 2015. (See Note 10)

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**34. Commitments and Contingencies**

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of ₩11,746 million as of March 31, 2015.

SK Broadband Co., Ltd., has guaranteed for employees borrowings relating to employee stock ownership and provided short-term financial instruments amounting to ₩1,775 million as collateral as of March 31, 2015.

(2) Contingencies

As of March 31, 2015, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary of the Parent Company, amounts to ₩2,094 million. The ultimate outcome of such litigation is not expected to have a material effect on the Group's financial position or performance results.

(3) Guarantee provided

PS&Marketing Corporation, a subsidiary of the Parent Company, obtained ₩3,000 million of payment guarantees from Shinhan Bank, in relation to handsets purchased from the Apple Computer Korea Ltd.



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**35. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest income  | ₩ (12,801)                              | (15,481)              |
| Dividend   | (13,296)                                | (9,628)               |
| Gain on foreign currency translations  | (780)                                   | (1,526)               |
| Gain on disposal of long-term investments assets                                 | (2,646)                                 | (4,918)               |
| Gain on valuation of derivatives   | (1,729)                                 | (4,050)               |
| Gain on settlement of derivatives  |   | (119)                 |
| Gains related to investments in subsidiaries, associates and joint ventures, net | (244,257)                               | (145,055)             |
| Gain on disposal of property, equipment and intangible assets                    | (924)                                   | (2,026)               |
| Gain relating to financial assets at fair value through profit or loss           |   | (1,068)               |
| Reversal of allowance for doubtful accounts                                      | (2,154)                                 |                       |
| Other income   | (87)                                    | (20)                  |
| Interest expenses  | 75,516                                  | 78,636                |
| Loss on foreign currency translations  | 1,044                                   | 5,069                 |
| Loss on disposal of long-term investments securities                             | 2                                       | 2,139                 |
| Income tax expense   | 117,266                                 | 65,268                |
| Provision for retirement benefits  | 26,660                                  | 37,738                |
| Depreciation and amortization  | 729,494                                 | 703,210               |
| Bad debt expenses  | 13,013                                  | 6,191                 |
| Loss on disposal of property, equipment and intangible assets                    | 2,010                                   | 2,284                 |
| Impairment loss on property, equipment and intangible assets                     | 1,023                                   | 2,928                 |
| Loss relating to financial liabilities at fair value through profit or loss      | 1,951                                   | 5                     |
| Bad debt for accounts receivable - other   |   | 2,971                 |
| Impairment loss on other investment  | 9,271                                   | 127                   |

|                |                      |         |
|----------------|----------------------|---------|
| Other expenses | 7,613                | 1,598   |
|                | <del>₩</del> 706,189 | 724,273 |

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**35. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Accounts receivable - trade | ₩ 3,942                                 | 7,350                 |
| Accounts receivable - other | 70,802                                  | 19,459                |
| Accrued income              | 58                                      | 18                    |
| Advance payments            | (58,942)                                | (43,084)              |
| Prepaid expenses            | (2,997)                                 | (2,711)               |
| V.A.T. refund receivable    | (2,411)                                 | 8,438                 |
| Inventories                 | (28,120)                                | (26,265)              |
| Guarantee deposits          | (4,857)                                 | 7,563                 |
| Accounts payable - trade    | 40,499                                  | (25,425)              |
| Accounts payable - other    | (193,282)                               | (629,271)             |
| Advanced receipts           | (11,885)                                | 20,038                |
| Withholdings                | (220,226)                               | 107,289               |
| Deposits received           | (4,088)                                 | (225)                 |
| Accrued expenses            | (152,761)                               | 18,331                |
| V.A.T. payable              | 11,908                                  | 9,656                 |
| Unearned revenue            | (40,357)                                | (32,890)              |
| Provisions                  | (29,855)                                | (7,488)               |
| Long-term provisions        | (8,909)                                 | 19,556                |
| Plan assets                 | 8,700                                   | 5,498                 |
| Retirement benefit payment  | (12,193)                                | (25,534)              |
| Others                      | 142                                     | 5,055                 |
|                             | ₩ (634,832)                             | (564,642)             |

- (3) Significant non-cash transactions for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Transfer of other property and equipment and others to construction in progress                             | ₩ 171,297                               | 100,079               |
| Transfer of construction in progress to property and equipment, and intangible assets                       | 336,790                                 | 447,461               |
| Transfer of inventories to property and equipment   |   | 14,430                |
| Decrease of accounts payable - other related to acquisition of property and equipment and intangible assets | (141,876)                               | (289,561)             |

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**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**March 31, 2015 and 2014**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

**Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of March 31, 2015, the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's responsibility**

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

**Auditors' responsibility**

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

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review 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 Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

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**Other matters**

The separate statement of finance position of the Company as of December 31, 2014, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated February 23, 2015, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2014, 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 separate interim financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

Seoul, Korea

May 8, 2015

This report is effective as of May 8, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of March 31, 2015 and December 31, 2014

| <i>(In millions of won)</i>                | <i>Note</i>  | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|--------------|---------------------------|------------------------------|
| <b>Assets</b>                              |              |                           |                              |
| <b>Current Assets:</b>                     |              |                           |                              |
| Cash and cash equivalents                  | 27,28        | ₩ 143,307                 | 248,311                      |
| Short-term financial instruments           | 4,27,28      | 143,000                   | 143,000                      |
| Short-term investment securities           | 6,27,28      | 257,105                   | 197,161                      |
| Accounts receivable - trade, net           | 5,27,28,29   | 1,550,930                 | 1,559,281                    |
| Short-term loans, net                      | 5,27,28,29   | 70,633                    | 67,989                       |
| Accounts receivable - other, net           | 5,27,28,29   | 307,763                   | 305,990                      |
| Prepaid expenses                           |              | 82,658                    | 86,070                       |
| Inventories, net                           |              | 25,721                    | 23,694                       |
| Non-current assets held for sale           | 7            | 176,305                   |                              |
| Advanced payments and other                | 5,27,28      | 96,671                    | 58,417                       |
| <b>Total Current Assets</b>                |              | <b>2,854,093</b>          | <b>2,689,913</b>             |
| <b>Non-Current Assets:</b>                 |              |                           |                              |
| Long-term financial instruments            | 4,27,28      | 69                        | 69                           |
| Long-term investment securities            | 6,27,28      | 587,248                   | 608,797                      |
| Investments in subsidiaries and associates | 8            | 8,019,329                 | 8,181,769                    |
| Property and equipment, net                | 9,29         | 7,555,158                 | 7,705,906                    |
| Goodwill                                   | 10           | 1,306,236                 | 1,306,236                    |
| Intangible assets, net                     | 11           | 1,843,259                 | 1,928,169                    |
| Long-term loans, net                       | 5,27,28,29   | 34,177                    | 38,457                       |
| Long-term prepaid expenses                 |              | 28,485                    | 28,551                       |
| Guarantee deposits                         | 4,5,27,28,29 | 160,636                   | 156,807                      |
| Long-term derivative financial assets      | 16,27,28     | 75,884                    | 67,728                       |
| Other non-current assets                   |              | 47                        | 60                           |
| <b>Total Non-Current Assets</b>            |              | <b>19,610,528</b>         | <b>20,022,549</b>            |
| <b>Total Assets</b>                        |              | <b>₩ 22,464,621</b>       | <b>22,712,462</b>            |

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



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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of March 31, 2015 and December 31, 2014

| <i>(In millions of won)</i>                                      | <i>Note</i>     | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|-----------------|---------------------------|------------------------------|
| <b>Liabilities and Equity</b>                                    |                 |                           |                              |
| <b>Current Liabilities:</b>                                      |                 |                           |                              |
| Short-term borrowings  | <i>12,27,28</i> | ₩ 250,000                 | 200,000                      |
| Current installments of debentures and long-term borrowings, net | <i>12,27,28</i> | 282,172                   | 211,863                      |
| Current installments of long-term payables - other               | <i>13,27,28</i> | 118,358                   | 189,389                      |
| Accounts payable - other   | <i>27,28,29</i> | 1,466,153                 | 1,086,485                    |
| Withholdings   | <i>27,28</i>    | 606,268                   | 801,119                      |
| Accrued expenses   | <i>27,28</i>    | 475,583                   | 615,488                      |
| Income tax payable   | <i>25</i>       | 206,757                   | 91,315                       |
| Unearned revenue   |                 | 69,031                    | 92,783                       |
| Provisions   | <i>14</i>       | 36,748                    | 50,456                       |
| Advanced receipts  |                 | 47,279                    | 39,148                       |
| <b>Total Current Liabilities</b>                                 |                 | <b>3,558,349</b>          | <b>3,378,046</b>             |
| <b>Non-Current Liabilities:</b>                                  |                 |                           |                              |
| Debentures, excluding current installments, net                  | <i>12,27,28</i> | 4,688,894                 | 4,655,137                    |
| Long-term borrowings, excluding current installments             | <i>12,27,28</i> | 80,570                    | 80,147                       |
| Long-term payables - other                                       | <i>13,27,28</i> | 542,125                   | 657,001                      |
| Long-term unearned revenue                                       |                 | 10,405                    | 19,544                       |
| Defined benefit liabilities                                      | <i>15</i>       | 28,283                    | 15,555                       |
| Long-term derivative financial liabilities                       | <i>16,27,28</i> | 122,977                   | 130,889                      |
| Long-term provisions   | <i>14</i>       | 20,788                    | 27,676                       |
| Deferred tax liabilities   | <i>25</i>       | 125,313                   | 144,876                      |
| Other non-current liabilities                                    | <i>27,28</i>    | 62,467                    | 61,370                       |
| <b>Total Non-Current Liabilities</b>                             |                 | <b>5,681,822</b>          | <b>5,792,195</b>             |
| <b>Total Liabilities</b>   |                 | <b>9,240,171</b>          | <b>9,170,241</b>             |
| <b>Equity</b>  |                 |                           |                              |
| Share capital  | <i>1,17</i>     | 44,639                    | 44,639                       |
| Capital surplus and other capital adjustments                    | <i>17,18,19</i> | 433,894                   | 433,894                      |
| Retained earnings  | <i>20</i>       | 12,694,668                | 12,996,790                   |
| Reserves   | <i>21</i>       | 51,249                    | 66,898                       |

|                                     |                     |                   |
|-------------------------------------|---------------------|-------------------|
| <b>Total Equity</b>                 | <b>13,224,450</b>   | <b>13,542,221</b> |
| <b>Total Liabilities and Equity</b> | <b>₩ 22,464,621</b> | <b>22,712,462</b> |

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won except for per share data)</i> | <i>Note</i> | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|---|-------------|---------------------------|---------------------------|
| <b>Operating revenue:</b>                             | 29          |                           |                           |
| Revenue   |             | ₩ 3,133,456               | 3,263,703                 |
| <b>Operating expense:</b>                             | 29          |                           |                           |
| Labor cost  |             | 173,327                   | 166,038                   |
| Commissions paid                                      |             | 1,343,070                 | 1,589,115                 |
| Depreciation and amortization                         |             | 524,937                   | 509,054                   |
| Network interconnection                               |             | 169,921                   | 214,875                   |
| Leased line   |             | 96,203                    | 96,862                    |
| Advertising   |             | 32,630                    | 39,438                    |
| Rent  |             | 97,930                    | 92,723                    |
| Cost of products that have been resold                |             | 113,509                   | 113,943                   |
| Other operating expenses                              | 22          | 174,103                   | 190,361                   |
|   |             | 2,725,630                 | 3,012,409                 |
| <b>Operating income</b>                               |             | <b>407,826</b>            | <b>251,294</b>            |
| Finance income  | 24          | 65,504                    | 27,055                    |
| Finance costs   | 24          | (68,428)                  | (67,559)                  |
| Other non-operating income                            | 23          | 5,386                     | 15,023                    |
| Other non-operating expenses                          | 23          | (31,527)                  | (29,869)                  |
| <b>Profit before income tax</b>                       |             | <b>378,761</b>            | <b>195,944</b>            |
| Income tax expense                                    | 25          | 82,975                    | 42,411                    |
| <b>Profit for the period</b>                          |             | <b>₩ 295,786</b>          | <b>153,533</b>            |
| <b>Earnings per share</b>                             | 26          |                           |                           |
| Basic earnings per share (in won)                     |             | ₩ 4,170                   | 2,164                     |
| Diluted earnings per share (in won)                   |             | ₩ 4,170                   | 2,164                     |

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



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SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>  | <i>Note</i>  | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|--|--------------|---------------------------|---------------------------|
| <b>Profit for the period</b>   |              | <b>₩ 295,786</b>          | <b>153,533</b>            |
| <b>Other comprehensive income (loss)</b>   |              |                           |                           |
| <b>Items that will never be reclassified to profit or loss, net of taxes:</b>              |              |                           |                           |
| Remeasurement of defined benefit liabilities   | <i>15</i>    | (2,043)                   | (3,118)                   |
| <b>Items that are or may be reclassified subsequently to profit or loss, net of taxes:</b> |              |                           |                           |
| Net change in unrealized fair value of available-for-sale financial assets                 | <i>21</i>    | (25,049)                  | (42,295)                  |
| Net change in unrealized fair value of derivatives   | <i>16,21</i> | 9,400                     | 4,371                     |
| <b>Other comprehensive loss for the period, net of taxes</b>                               |              | <b>(17,692)</b>           | <b>(41,042)</b>           |
| <b>Total comprehensive income</b>  |              | <b>₩ 278,094</b>          | <b>112,491</b>            |

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the three-month periods ended March 31, 2015 and 2014

*In millions of  
won)*

|   | Share<br>capital | Capital surplus (deficit) and other capital adjustments<br>Paid-in<br>surplus | Treasury<br>stock | Loss on disposal<br>of treasury<br>stock | Hybrid<br>bond | Other     | Retained<br>earnings | Reserves | Total<br>equity |
|---|------------------|---|-------------------|--|----------------|-----------|----------------------|----------|-----------------|
| <b>Balance,<br/>January 1,<br/>2014</b> | ₩ 44,639         | 2,915,887   | (2,139,683)       | (18,087)                                 | 398,518        | (722,741) | 12,665,699           | 171,176  | 13,315,408      |
| Cash dividends                          |                  |   |                   |  |                |           | (595,865)            |          | (595,865)       |
| Total<br>comprehensive<br>income        |                  |   |                   |  |                |           |                      |          |                 |
| Profit for the<br>period                |                  |   |                   |  |                |           | 153,533              |          | 153,533         |
| Other<br>comprehensive<br>loss          |                  |   |                   |  |                |           | (3,118)              | (37,924) | (41,042)        |
|   |                  |   |                   |  |                |           | 150,415              | (37,924) | 112,491         |
| <b>Balance,<br/>March 31,<br/>2014</b>  | ₩ 44,639         | 2,915,887   | (2,139,683)       | (18,087)                                 | 398,518        | (722,741) | 12,220,249           | 133,252  | 12,832,034      |
| <b>Balance,<br/>January 1,<br/>2015</b> | ₩ 44,639         | 2,915,887   | (2,139,683)       | (18,087)                                 | 398,518        | (722,741) | 12,996,790           | 66,898   | 13,542,221      |
| Cash dividends                          |                  |   |                   |  |                |           | (595,865)            |          | (595,865)       |
| Total<br>comprehensive<br>income        |                  |   |                   |  |                |           |                      |          |                 |
| Profit for the<br>period                |                  |   |                   |  |                |           | 295,786              |          | 295,786         |
| Other<br>comprehensive<br>loss          |                  |   |                   |  |                |           | (2,043)              | (15,649) | (17,692)        |
|   |                  |   |                   |  |                |           | 293,743              | (15,649) | 278,094         |



|  |                 |                  |                    |                 |                |                  |                   |               |                   |
|--|-----------------|------------------|--------------------|-----------------|----------------|------------------|-------------------|---------------|-------------------|
| <b>Balance,<br/>March 31,<br/>2015</b> | <b>₩ 44,639</b> | <b>2,915,887</b> | <b>(2,139,683)</b> | <b>(18,087)</b> | <b>398,518</b> | <b>(722,741)</b> | <b>12,694,668</b> | <b>51,249</b> | <b>13,224,450</b> |
|--|-----------------|------------------|--------------------|-----------------|----------------|------------------|-------------------|---------------|-------------------|

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>                                       | <i>Note</i> | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|---|-------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities:</b>                      |             |                           |                           |
| Cash generated from operating activities                          |             |                           |                           |
| Profit for the period   |             | ₩ 295,786                 | 153,533                   |
| Adjustments for income and expenses                               | 31          | 657,232                   | 637,404                   |
| Changes in assets and liabilities related to operating activities | 31          | (516,146)                 | (279,561)                 |
| Sub-total   |             | 436,872                   | 511,376                   |
| Interest received   |             | 3,962                     | 6,204                     |
| Dividends received  |             |                           | 129                       |
| Interest paid   |             | (60,519)                  | (60,277)                  |
| Income tax refund received  |             | 19,724                    | 21,677                    |
| <b>Net cash provided by operating activities</b>                  |             | <b>400,039</b>            | <b>479,109</b>            |
| <b>Cash flows from investing activities:</b>                      |             |                           |                           |
| Cash inflows from investing activities:                           |             |                           |                           |
| Decrease in short-term investment securities, net                 |             |                           | 25,000                    |
| Decrease in short-term financial instruments, net                 |             |                           | 28,000                    |
| Collection of short-term loans                                    |             | 59,428                    | 54,900                    |
| Proceeds from disposal of long-term investment securities         |             | 1,739                     | 10,217                    |
| Proceeds from disposal of property and equipment                  |             | 497                       | 507                       |
| Decrease in long-term financial instruments                       |             | 2,522                     |                           |
| Collection of long-term loans                                     |             | 219                       | 988                       |
| Proceeds from disposal of other non-current assets                |             | 13                        |                           |
| Sub-total   |             | 64,418                    | 119,612                   |
| Cash outflows for investing activities:                           |             |                           |                           |
| Increase in short-term investment securities, net                 |             | (59,842)                  |                           |
| Increase in short-term loans                                      |             | (57,989)                  | (62,174)                  |
| Increase in long-term financial instruments                       |             | (2,522)                   |                           |
| Acquisition of long-term investment securities                    |             | (12,334)                  | (1,121)                   |
| Acquisition of investments in subsidiaries and associates         |             | (13,865)                  |                           |
| Acquisition of property and equipment                             |             | (377,971)                 | (488,482)                 |
| Acquisition of intangible assets                                  |             | (3,447)                   | (13,352)                  |
| Increase in other non-current assets                              |             |                           | (103)                     |
| Sub-total   |             | (527,970)                 | (565,232)                 |

|  |                    |                  |
|--|--------------------|------------------|
| <b>Net cash used in investing activities</b> | <b>₩ (463,552)</b> | <b>(445,620)</b> |
|--|--------------------|------------------|

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2015 and 2014

| <i>(In millions of won)</i>                                   | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|---|---------------------------|---------------------------|
| <b>Cash flows from financing activities:</b>                  |                           |                           |
| Cash inflows from financing activities:                       |                           |                           |
| Increase in short-term borrowings, net                        | ₩ 50,000                  | 140,000                   |
| Proceeds from long-term borrowings                            |                           | 3,552                     |
| Proceeds from issuance of debentures                          | 298,718                   |                           |
| Sub-total   | 348,718                   | 143,552                   |
| Cash outflows for financing activities:                       |                           |                           |
| Repayments of long-term account payables-other                | (190,134)                 | (207,668)                 |
| Repayments of debentures                                      | (200,000)                 | (96,151)                  |
| Sub-total   | (390,134)                 | (303,819)                 |
| <b>Net cash used in financing activities</b>                  | <b>(41,416)</b>           | <b>(160,267)</b>          |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(104,929)</b>          | <b>(126,778)</b>          |
| Cash and cash equivalents at beginning of the period          | 248,311                   | 448,459                   |
| Effects of exchange rate changes on cash and cash equivalents | (75)                      | (24)                      |
| <b>Cash and cash equivalents at end of the period</b>         | <b>₩ 143,307</b>          | <b>321,657</b>            |

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

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**1. Reporting Entity**

SK Telecom Co., Ltd. ( the Company ) was incorporated in March 1984 under the laws of the Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of March 31, 2015, the Company s total issued shares are held by the following:

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

**2. Basis of Presentation****(1) Statement of compliance**

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

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Company s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as at and for the year ended December 31, 2014. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, Separate Financial Statements presented by a parent, an investor with joint control of, of significant influence over, an investee, in which the investments are accounted for at cost.

(2) Use of estimates and judgments

1) Critical judgments, assumptions and estimation uncertainties

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2014.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**2. Basis of Presentation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

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

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

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

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

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

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

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

Information about assumptions used for fair value measurements are included in Note 28.

(3) Common control transactions

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



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**3. Significant Accounting Policies**

Except as described below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2014. The following changes in accounting policy are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2015.

(1) Changes in accounting policies

The following amendment to existing standards has been published and are mandatory for the Company for annual periods beginning on or after July 1, 2014.

1) K-IFRS 1019 Employee Benefits Employee contributions

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

There is no material impact of the application of this amendment on the Company's financial statements.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**4. Restricted Deposits**

Deposits which are restricted in use as of March 31, 2015 and December 31, 2014 are summarized as follows:

*(In millions of won)*

|                                     | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-------------------------------------|-----------------------|--------------------------|
| Short-term financial instruments(*) | ₩ 85,500              | 85,500                   |
| Long-term financial instruments(*)  | 69                    | 69                       |
| Guarantee deposits                  | 280                   | 280                      |
|                                     | ₩ 85,849              | 85,849                   |

(\*) Financial instruments include charitable trust fund established by the Company. Profits from the fund are donated to charitable institutions. As of March 31, 2015, the funds cannot be withdrawn.

**5. Trade and Other Receivables**

(1) Details of trade and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                             | <b>Gross amount</b> | <b>March 31, 2015 Allowances for impairment</b> | <b>Carrying amount</b> |
|-----------------------------|---------------------|---|------------------------|
| <b>Current assets:</b>      |                     |   |                        |
| Accounts receivable - trade | ₩ 1,669,078         | (118,148)                                       | 1,550,930              |
| Short-term loans            | 71,346              | (713)   | 70,633                 |
| Accounts receivable - other | 367,037             | (59,274)  | 307,763                |
| Accrued income              | 6,820               |   | 6,820                  |
|                             | 2,114,281           | (178,135)                                       | 1,936,146              |
| <b>Non-current assets:</b>  |                     |   |                        |
| Long-term loans             | 55,807              | (21,630)  | 34,177                 |
| Guarantee deposits          | 160,636             |   | 160,636                |
|                             | 216,443             | (21,630)  | 194,813                |

|             |           |           |
|-------------|-----------|-----------|
| ₩ 2,330,724 | (199,765) | 2,130,959 |
|-------------|-----------|-----------|

*(In millions of won)*

|                             | <b>Gross<br/>amount</b> | <b>December 31, 2014<br/>Allowances for<br/>impairment</b> | <b>Carrying<br/>amount</b> |
|-----------------------------|-------------------------|--|----------------------------|
| <b>Current assets:</b>      |                         |  |                            |
| Accounts receivable - trade | ₩ 1,665,941             | (106,660)  | 1,559,281                  |
| Short-term loans            | 68,676                  | (687)  | 67,989                     |
| Accounts receivable - other | 366,821                 | (60,831)   | 305,990                    |
| Accrued income              | 6,354                   |  | 6,354                      |
|                             | 2,107,792               | (168,178)  | 1,939,614                  |
| <b>Non-current assets:</b>  |                         |  |                            |
| Long-term loans             | 60,130                  | (21,673)   | 38,457                     |
| Guarantee deposits          | 156,807                 |  | 156,807                    |
|                             | 216,937                 | (21,673)   | 195,264                    |
|                             | ₩ 2,324,729             | (189,851)  | 2,134,878                  |

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

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

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                      | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Balance at January 1                             | ₩ 189,851                               | 174,480               |
| Increase of bad debt allowances                  | 7,265                                   | 6,966                 |
| Reversal of allowances for doubtful accounts     | (2,154)                                 |                       |
| Write-offs                                       | (340)                                   | (252)                 |
| Collection of receivables previously written-off | 5,143                                   | 5,057                 |
| Balance at March 31                              | ₩ 199,765                               | 186,251               |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i>      | <b>March 31, 2015</b>              |                          | <b>December 31, 2014</b>           |                          |
|----------------------------------|------------------------------------|--------------------------|------------------------------------|--------------------------|
|                                  | <b>Accounts receivable - trade</b> | <b>Other receivables</b> | <b>Accounts receivable - trade</b> | <b>Other receivables</b> |
| Neither overdue nor impaired     | ₩ 1,197,446                        | 550,864                  | 1,182,627                          | 553,014                  |
| Overdue but not impaired         | 47,418                             |                          | 47,663                             |                          |
| Impaired                         | 424,214                            | 110,782                  | 435,651                            | 105,774                  |
|                                  | 1,669,078                          | 661,646                  | 1,665,941                          | 658,788                  |
| Allowances for doubtful accounts | (118,148)                          | (81,617)                 | (106,660)                          | (83,191)                 |
|                                  | ₩ 1,550,930                        | 580,029                  | 1,559,281                          | 575,597                  |

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

- (4) The aging of overdue but not impaired accounts receivable as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                    | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--------------------|-----------------------|--------------------------|
| Less than 1 month  | ₩ 12,044              | 12,045                   |
| 1 ~ 3 months       | 14,984                | 15,222                   |
| 3 ~ 6 months       | 8,591                 | 8,591                    |
| More than 6 months | 11,799                | 11,805                   |
|                    | ₩ 47,418              | 47,663                   |

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**6. Investment Securities**

(1) Details of short-term investment securities as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|-----------------------|--------------------------|
| Beneficiary certificates(*)                             | ₩ 257,105             | 197,003                  |
| Current installments of long-term investment securities |                       | 158                      |
|   | ₩ 257,105             | 197,161                  |

(\*) The interest distributions arising from beneficiary certificates as of March 31, 2015, were accounted for as accrued income.

(2) Details of long-term investment securities as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| <b>Equity securities:</b>                                    |                       |                          |
| Marketable equity securities                                 | ₩ 465,667             | 490,741                  |
| Unlisted equity securities(*1)                               | 39,030                | 28,696                   |
| Equity investments(*2)                                       | 66,575                | 73,054                   |
|  | 571,272               | 592,491                  |
| <b>Debt securities:</b>                                      |                       |                          |
| Public bonds(*3)   |                       | 158                      |
| Investment bonds(*4)   | 15,976                | 16,306                   |
|  | 15,976                | 16,464                   |
| <b>Total</b>   | <b>587,248</b>        | <b>608,955</b>           |
| Less current installments of long-term investment securities |                       | (158)                    |

|  |   |         |         |
|--|---|---------|---------|
| <b>Long-term investment securities</b> | ₩ | 587,248 | 608,797 |
|--|---|---------|---------|

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

(\*2) Equity investments are recorded at cost.

(\*3) Details of maturity for the public bonds as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|------------------|-----------------------|--------------------------|
| Less than 1 year | ₩                     | 158                      |

(\*4) The Company classified the convertible bonds of IRIVER LIMITED, amounting to ₩7,486 million, as financial assets at fair value through profit or loss and the difference between carrying amount and fair value was accounted for as gain or loss relating to financial assets at fair value through profit or loss.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**7. Non-current Assets Held for Sale**

Non-current assets held for sale as of March 31, 2015 are as follows:

*(In millions of won)*

|                                   | <b>March 31, 2015</b> |
|-----------------------------------|-----------------------|
| <b>Investments in associates:</b> |                       |
| KEB HanaCard Co., Ltd. (*)        | ₩ 176,305             |

(\*) During the three-month period ended March 31, 2015, a disposal plan for 27,725,264 shares of KEB HanaCard Co., Ltd.(10.4% ownership interest) has been committed to and the related investment in KEB HanaCard Co., Ltd. was reclassified as assets held for sale. On April 3, 2015, the Company disposed of its investment in KEB HanaCard Co., Ltd.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

**8. Investments in Subsidiaries and Associates**

(1) Investments in subsidiaries and associates as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                             | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------------|-----------------------|--------------------------|
| Investments in subsidiaries | ₩ 3,638,151           | 3,614,750                |
| Investments in associates   | 4,381,178             | 4,567,019                |
|                             | <b>₩ 8,019,329</b>    | <b>8,181,769</b>         |



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**8. Investments in Subsidiaries and Associates, Continued**

(2) Details of investments in subsidiaries as of March 31, 2015 and December 31, 2014 are as follows:

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

|  | March 31, 2015   |               |                 | December 31, 2014 |
|--|------------------|---------------|-----------------|-------------------|
|  | Number of shares | Ownership (%) | Carrying amount | Carrying amount   |
| SK Telink Co., Ltd.                      | 1,082,272        | 83.5          | ₩ 144,740       | 144,740           |
| SK Broadband Co., Ltd. (*)               | 149,638,354      | 50.6          | 1,242,247       | 1,242,247         |
| PS&Marketing Corporation                 | 66,000,000       | 100.0         | 313,934         | 313,934           |
| Service Ace Co., Ltd.                    | 4,385,400        | 100.0         | 21,927          | 21,927            |
| Service Top Co., Ltd.                    | 2,856,200        | 100.0         | 14,281          | 14,281            |
| Network O&S Co., Ltd.                    | 3,000,000        | 100.0         | 15,000          | 15,000            |
| SK Planet Co., Ltd.                      | 72,927,317       | 100.0         | 1,538,020       | 1,538,020         |
| Neosnetworks Co., Ltd.                   | 31,310           | 66.7          | 23,968          | 23,968            |
| IRIVER LIMITED                           | 15,202,039       | 49.0          | 54,503          | 54,503            |
| SK Telecom China Holdings Co., Ltd.      |                  | 100.0         | 38,652          | 29,116            |
| SKT Vietnam PTE. Ltd.                    | 180,476,700      | 73.3          | 2,364           | 2,364             |
| SKT Americas, Inc.                       | 122              | 100.0         | 83,871          | 83,871            |
| YTK Investment Ltd.                      |                  | 100.0         | 27,945          | 27,945            |
| Atlas Investment                         |                  | 100.0         | 77,050          | 77,050            |
| SK Global Healthcare Business Group Ltd. |                  | 100.0         | 39,649          | 25,784            |
|  |                  |               | ₩ 3,638,151     | 3,614,750         |

(\*) On March 20, 2014, the Board of Directors of the Company decided to grant 0.0168936 share of its treasury stock in exchange for 1 share of SK Broadband Co., Ltd., a subsidiary of the Company, to the shareholders of SK Broadband Co., Ltd. as of June 9, 2015. After the stock exchange, SK Broadband Co., Ltd. will become a wholly-owned subsidiary of the Company.

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**8. Investments in Subsidiaries and Associates, Continued**

(3) Details of investments in associates as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won, except for share data)</i> | March 31, 2015   |                          | December 31, 2014 |                 |
|--|------------------|--------------------------|-------------------|-----------------|
|  | Number of shares | Ownership percentage (%) | Carrying amount   | Carrying amount |
| SK China Company Ltd.(*1)                          | 720,000          | 9.6                      | ₩ 47,830          | 47,830          |
| HappyNarae Co., Ltd.                               | 680,000          | 42.5                     | 12,250            | 12,250          |
| Korea IT Fund(*2)                                  | 190              | 63.3                     | 220,957           | 220,957         |
| Wave City Development Co., Ltd.(*1)                | 382,000          | 19.1                     | 1,532             | 1,532           |
| KEB HanaCard Co., Ltd.(*1,3)                       | 39,902,323       | 15.0                     | 253,739           | 430,044         |
| Daehan Kanggun BcN Co., Ltd.                       | 1,675,126        | 29.0                     | 8,340             | 8,340           |
| NanoEnTek, Inc.                                    | 5,870,290        | 26.0                     | 37,959            | 37,959          |
| SK Industrial Development China Co., Ltd.          | 77,762,360       | 21.0                     | 83,691            | 83,691          |
| Packet One Network(*1)                             | 2,265,944        | 13.6                     | 60,706            | 60,706          |
| SK Technology Innovation Company                   | 14,700           | 49.0                     | 45,864            | 45,864          |
| SK hynix Inc.                                      | 146,100,000      | 20.1                     | 3,374,725         | 3,374,725       |
| SK MENA Investment B.V.                            | 9,772,686        | 32.1                     | 14,485            | 14,485          |
| SK Latin America Investment S.A.                   | 9,448,937        | 32.1                     | 14,243            | 14,243          |
| SKY Property Mgmt. Ltd.                            | 12,639           | 33.0                     | 145,656           | 145,656         |
| SK Wyverns Baseball Club Co., Ltd. and others      |                  |                          | 59,201            | 68,737          |
|  |                  |                          | ₩ 4,381,178       | 4,567,019       |

(\*1) Classified as investments in associates as the Company can exercise significant influence through its participation on the board of directors even though the Company has less than 20% of equity interests.

(\*2) Investment in Korea IT Fund was classified as investment in associates as the Company has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.

(\*3) During the three-month period ended March 31, 2015, a disposal plan for 27,725,264 shares of KEB HanaCard Co., Ltd. has been committed to and 41% of its investment in KEB HanaCard Co., Ltd. to be disposed was reclassified as non-current assets held for sale. (See Note 7)



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**8. Investments in Subsidiaries and Associates, Continued**

- (4) The market price of investments in listed subsidiaries as of March 31, 2015 and December 31, 2014 are as follows:

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

|                        | March 31, 2015                  |                  |              | December 31, 2014               |                  |              |
|------------------------|---------------------------------|------------------|--------------|---------------------------------|------------------|--------------|
|                        | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| IRIVER LIMITED         | ₩ 5,970                         | 15,202,039       | 90,756       | 6,370                           | 15,202,039       | 96,837       |
| SK Broadband Co., Ltd. | 4,560                           | 149,638,354      | 682,351      | 4,380                           | 149,638,354      | 655,416      |

**9. Property and Equipment**

Changes in property and equipment for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                          | Beginning balance | For the three-month period ended March 31, 2015 |          |           |              | Ending balance |
|--------------------------|-------------------|---|----------|-----------|--------------|----------------|
|                          |                   | Acquisition                                     | Disposal | Transfer  | Depreciation |                |
| Land                     | ₩ 448,255         | 5   | (288)    | 3,670     |              | 451,642        |
| Buildings                | 568,874           | 45  | (193)    | 4,036     | (8,676)      | 564,086        |
| Structures               | 350,915           | 5   | (109)    | 3,906     | (8,490)      | 346,227        |
| Machinery                | 5,277,929         | 1,536   | (454)    | 242,596   | (393,001)    | 5,128,606      |
| Other                    | 430,478           | 240,804   | (542)    | (148,152) | (26,997)     | 495,591        |
| Construction in progress | 629,455           | 54,654  |          | (115,103) |              | 569,006        |
|                          | ₩ 7,705,906       | 297,049   | (1,586)  | (9,047)   | (437,164)    | 7,555,158      |

*(In millions of won)***For the three-month period ended March 31, 2014**

|                          | <b>Beginning<br/>balance</b> | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Depreciation</b> | <b>Ending<br/>balance</b> |
|--------------------------|------------------------------|--------------------|-----------------|-----------------|---------------------|---------------------------|
| Land                     | ₩ 416,991                    |                    |                 | 6,602           |                     | 423,593                   |
| Buildings                | 585,375                      | 3                  | (101)           | 3,785           | (8,572)             | 580,490                   |
| Structures               | 363,093                      |                    |                 | 2,899           | (8,118)             | 357,874                   |
| Machinery                | 4,945,088                    | 650                | (611)           | 378,142         | (382,657)           | 4,940,612                 |
| Other                    | 472,832                      | 218,442            | (348)           | (83,919)        | (24,867)            | 582,140                   |
| Construction in progress | 676,607                      | 29,949             | (882)           | (308,178)       |                     | 397,496                   |
|                          | ₩ 7,459,986                  | 249,044            | (1,942)         | (669)           | (424,214)           | 7,282,205                 |

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**10. Goodwill**

Goodwill as of March 31, 2015 and December 31, 2014 is as follows:

*(In millions of won)*

|   | <b>March 31,<br/>2015</b> | <b>December 31, 2014</b> |
|---|---------------------------|--------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | ₩ 1,306,236               | 1,306,236                |

**11. Intangible Assets**

(1) Changes in intangible assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                       | <b>For the three-month period ended March 31, 2015</b> |                    |                 |                 |                     | <b>Ending<br/>balance</b> |
|-----------------------|--|--------------------|-----------------|-----------------|---------------------|---------------------------|
|                       | <b>Beginning<br/>balance</b>                           | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> |                           |
| Frequency use rights  | ₩ 1,384,044  |                    |                 |                 | (70,132)            | 1,313,912                 |
| Land use rights       | 14,016   | 581                |                 |                 | (1,207)             | 13,390                    |
| Industrial rights     | 10,583   | 1,848              |                 |                 | (1,000)             | 11,431                    |
| Facility usage rights | 15,843   | 226                | (12)            | 17              | (632)               | 15,442                    |
| Memberships           | 63,465   | 61                 |                 |                 |                     | 63,526                    |
| Other                 | 440,218  | 731                |                 | 27,313          | (42,704)            | 425,558                   |
|                       | ₩ 1,928,169  | 3,447              | (12)            | 27,330          | (115,675)           | 1,843,259                 |

*(In millions of won)*

|                      | <b>For the three-month period ended March 31, 2014</b> |                    |                 |                 |                     | <b>Ending<br/>balance</b> |
|----------------------|--|--------------------|-----------------|-----------------|---------------------|---------------------------|
|                      | <b>Beginning<br/>balance</b>                           | <b>Acquisition</b> | <b>Disposal</b> | <b>Transfer</b> | <b>Amortization</b> |                           |
| Frequency use rights | ₩ 1,664,571  |                    |                 |                 | (70,132)            | 1,594,439                 |
| Land use rights      | 9,752  |                    |                 |                 | (978)               | 8,774                     |
| Industrial rights    | 9,113  | 1,948              |                 |                 | (1,043)             | 10,018                    |

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|                       |                    |               |             |               |                  |                  |
|-----------------------|--------------------|---------------|-------------|---------------|------------------|------------------|
| Facility usage rights | 16,155             | 241           | (16)        | 342           | (620)            | 16,102           |
| Memberships           | 82,815             |               |             |               |                  | 82,815           |
| Other                 | 456,761            | 11,163        |             | 12,534        | (39,542)         | 440,916          |
|                       | <b>₩ 2,239,167</b> | <b>13,352</b> | <b>(16)</b> | <b>12,876</b> | <b>(112,315)</b> | <b>2,153,064</b> |

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**11. Intangible Assets, Continued**

- (2) The carrying amount and residual useful lives of frequency usage rights as of March 31, 2015 are as follows, all of which are depreciated on a straight-line basis:

*(In millions of won)*

|                | Amount      | Description   | Commencement<br>of amortization | Completion of<br>amortization |
|----------------|-------------|---|---------------------------------|-------------------------------|
| W-CDMA license | ₩ 174,616   | Frequency use rights relating to W-CDMA service       | Dec. 2003                       | Dec. 2016                     |
| W-CDMA license | 28,544      | Frequency use rights relating to W-CDMA service       | Oct. 2010                       | Dec. 2016                     |
| 800MHz license | 253,400     | Frequency use rights relating to CDMA and LTE service | Jul. 2011                       | Jun. 2021                     |
| 1.8GHz license | 847,935     | Frequency use rights relating to LTE service          | Sep. 2013                       | Dec. 2021                     |
| WiBro license  | 9,417       | WiBro service   | Mar. 2012                       | Mar. 2019                     |
|                | ₩ 1,313,912 |   |                                 |                               |

**12. Borrowings and Debentures**

- (1) Short-term borrowings as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

| Lender                 | Annual interest<br>rate (%) | Maturity      | March 31,<br>2015 | December 31,<br>2014 |
|------------------------|-----------------------------|---------------|-------------------|----------------------|
| Korea Development Bank | 2.48                        | Apr. 30, 2015 | ₩ 100,000         | 100,000              |
| Korea Development Bank | 2.11                        | Sep. 30, 2015 | 100,000           |                      |
| CP                     | 2.37                        | Jan. 15, 2015 |                   | 100,000              |
|                        | 1.81                        | Apr. 16, 2015 | 50,000            |                      |
|                        |                             |               | ₩ 250,000         | 200,000              |



(2) Long-term borrowings as of March 31, 2015 and December 31, 2014 are as follows:

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

| <b>Lender</b>  | <b>Annual interest<br/>rate (%)</b> | <b>Maturity</b> | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|-------------------------------------|-----------------|---------------------------|------------------------------|
| Export Kreditnamnden(*)                                | 1.70                                | Apr. 29, 2022   | ₩ 95,403<br>(USD 86,338)  | 94,903<br>(USD 86,338)       |
|  |                                     |                 | 95,403                    | 94,903                       |
| Less present value discount on<br>long-term borrowings |                                     |                 | (2,472)                   | (2,623)                      |
|  |                                     |                 | 92,931                    | 92,280                       |
| Less current installments of<br>long-term borrowings   |                                     |                 | (12,361)                  | (12,133)                     |
|  |                                     |                 | ₩ 80,570                  | 80,147                       |

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

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For the three-month periods ended March 31, 2015 and 2014

**12. Borrowings and Debentures, Continued**

(3) Debentures as of March 31, 2015 and December 31, 2014 are as follows:

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

|                               |                  |          | Annual        |      | March 31, | December 31,  |
|-------------------------------|------------------|----------|---------------|------|-----------|---------------|
|                               | Purpose          | Maturity | interest rate |      | 2015      | 2014          |
|                               |                  |          | (%)           |      |           |               |
| Unsecured private bonds       | Refinancing fund | 2016     | 5.00          | ₩    | 200,000   | 200,000       |
| Unsecured private bonds       | Other fund       | 2015     | 5.00          |      |           | 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      | 2022     | 3.30          |      | 140,000   | 140,000       |
| Unsecured private bonds       | fund             | 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    | 50,000        |
| Unsecured private bonds       |                  | 2024     | 3.64          |      | 150,000   | 150,000       |
| Unsecured private bonds(*2)   |                  | 2029     | 4.73          |      | 56,163    | 55,188        |
| Unsecured private bonds(*2)   |                  | 2029     | 4.72          |      | 56,154    | 55,177        |
| Unsecured private bonds       | Refinancing fund | 2019     | 2.53          |      | 160,000   | 160,000       |
| Unsecured private bonds       |                  | 2021     | 2.66          |      | 150,000   | 150,000       |
| Unsecured private bonds       |                  | 2024     | 2.82          |      | 190,000   | 190,000       |
| Unsecured private bonds       |                  | 2022     | 2.40          |      | 100,000   |               |
| Unsecured private bonds       |                  | 2025     | 2.49          |      | 150,000   |               |
| Unsecured private bonds       |                  | 2030     | 2.61          |      | 50,000    |               |
| Foreign global bonds          | Operating fund   | 2027     | 6.63          |      | 442,000   | 439,680       |
|                               |                  |          |               | (USD | 400,000)  | (USD 400,000) |
| Swiss unsecured private bonds |                  | 2017     | 1.75          |      | 342,831   | 333,429       |
|                               |                  |          |               | (CHF | 300,000)  | (CHF 300,000) |
| Foreign global bonds          |                  | 2018     | 2.13          |      | 773,500   | 769,440       |

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|                                    |      |                 |               |               |
|------------------------------------|------|-----------------|---------------|---------------|
| Australian unsecured private bonds | 2017 | 4.75            | (USD 700,000) | (USD 700,000) |
|                                    |      |                 | 253,680       | 269,727       |
| Floating rate notes (*1)           | 2020 | 3M Libor + 0.88 | (AUD 300,000) | (AUD 300,000) |
|                                    |      |                 | 331,500       | 329,760       |
|                                    |      |                 | (USD 300,000) | (USD 300,000) |
| Sub-total                          |      |                 | 4,985,828     | 4,882,401     |
| Less discounts on bonds            |      |                 | (27,123)      | (27,534)      |
|                                    |      |                 | 4,958,705     | 4,854,867     |
| Less current installments of bonds |      |                 | (269,811)     | (199,730)     |
|                                    |      |                 | ₩ 4,688,894   | 4,655,137     |

(\*1) As of March 31, 2015, 3M Libor rate is 0.27%.

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**12. Borrowings and Debentures, Continued**

(3) Debentures as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(\*2) The Company settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by designating the structured bonds as 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 ₩12,317 million as of March 31, 2015.

**13. Long-term Payables - Other**

(1) As of March 31, 2015 and December 31, 2014, long-term payables other which consist of payables related to the acquisition of W-CDMA licenses for 800MHz, 2.3GHz and 1.8GHz frequencies are as follows (See Note 11):

*(In millions of won)*

|  | Period of<br>repayment | Coupon rate | Annual effective<br>interest<br>rate(*) | March 31,<br>2015 | December 31,<br>2014 |
|--|------------------------|-------------|---|-------------------|----------------------|
| 800MHz   | 2013~2015              | 3.51%       | 5.69%                                   | ₩                 | 69,416               |
| 2.3GHz   | 2014~2016              | 3.00%       | 5.80%                                   | 2,882             | 5,766                |
| 1.8GHz   | 2012~2021              | 2.43~3.00%  | 4.84~5.25%                              | 707,006           | 824,841              |
|  |                        |             |   | 709,888           | 900,023              |
| Present value discount on long-term payables other                         |                        |             |   | (49,405)          | (53,633)             |
|  |                        |             |   | 660,483           | 846,390              |
| Less current installments of long-term payables other                      |                        |             |   | (120,718)         | (190,134)            |
| Current installments of present value discount on long-term payables other |                        |             |   | 2,360             | 745                  |
| Carrying amount at period end  |                        |             |   | ₩ 542,125         | 657,001              |

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

(2) The repayment schedule of long-term payables - other as of March 31, 2015 is as follows:

*(In millions of won)*

|                   | <b>Amount</b> |
|-------------------|---------------|
| Less than 1 year  | ₩ 120,718     |
| 1~3 years         | 235,669       |
| 3~5 years         | 235,669       |
| More than 5 years | 117,832       |
|                   | ₩ 709,888     |

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**14. Provisions**

Changes in provisions for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>   | <b>For the three-month period ended March 31, 2015</b> |                 |                    |                 |                       | <b>As of March 31, 2015</b> |                    |
|-------------------------------|--|-----------------|--------------------|-----------------|-----------------------|-----------------------------|--------------------|
|                               | <b>Beginning balance</b>                               | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Ending balance</b> | <b>Current</b>              | <b>Non-current</b> |
| Provision for handset subsidy | ₩ 26,799   |                 | (2,333)            | (18,172)        | 6,294                 | 3,519                       | 2,775              |
| Provision for restoration     | 51,333   | 950             | (223)              | (818)           | 51,242                | 33,229                      | 18,013             |
|                               | ₩ 78,132   | 950             | (2,556)            | (18,990)        | 57,536                | 36,748                      | 20,788             |

| <i>(In millions of won)</i>   | <b>For the three-month period ended March 31, 2014</b> |                 |                    |                 |                       | <b>As of March 31, 2014</b> |                    |
|-------------------------------|--|-----------------|--------------------|-----------------|-----------------------|-----------------------------|--------------------|
|                               | <b>Beginning balance</b>                               | <b>Increase</b> | <b>Utilization</b> | <b>Reversal</b> | <b>Ending balance</b> | <b>Current</b>              | <b>Non-current</b> |
| Provision for handset subsidy | ₩ 53,923   | 40,490          | (28,237)           |                 | 66,176                | 45,836                      | 20,340             |
| Provision for restoration     | 32,173   | 594             | (96)               | (664)           | 32,007                | 14,734                      | 17,273             |
|                               | ₩ 86,096   | 41,084          | (28,333)           | (664)           | 98,183                | 60,570                      | 37,613             |

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

**15. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i>                  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 204,352             | 195,130                  |

|                           |                     |           |
|---------------------------|---------------------|-----------|
| Fair value of plan assets | (176,069)           | (179,575) |
|                           | <del>₩</del> 28,283 | 15,555    |

(2) Principal actuarial assumptions as of March 31, 2015 and December 31, 2014 are as follows:

|   | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| Discount rate for defined benefit obligations | 2.91%          | 2.91%             |
| Expected rate of salary increase              | 3.80%          | 3.80%             |

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

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For the three-month periods ended March 31, 2015 and 2014

**15. Defined Benefit Liabilities, Continued**

- (3) Changes in defined benefit obligations for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>      | <b>For the three-month period ended</b> |                       |
|----------------------------------|---|-----------------------|
|                                  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Beginning balance                | ₩ 195,130                               | 154,460               |
| Current service cost             | 8,862                                   | 7,980                 |
| Interest cost                    | 1,353                                   | 1,439                 |
| Remeasurement                    |   |                       |
| - Demographic assumption         | 16                                      |                       |
| - Adjustment based on experience | 380                                     | 3,569                 |
| Benefit paid                     | (2,960)                                 | (8,810)               |
| Others(*)                        | 1,571                                   | 1,115                 |
| Ending balance                   | ₩ 204,352                               | 159,753               |

- (\*) Others for the three-month periods ended March 31, 2015 and 2014 include transfer to construction in progress and liabilities in relation to executives transferred from affiliates.

- (4) Changes in plan assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Beginning balance           | ₩ 179,575                               | 131,574               |
| Interest income             | 1,229                                   | 1,233                 |
| Actuarial loss              | (2,301)                                 | (544)                 |
| Benefit paid                | (2,434)                                 | (1,801)               |
| Ending balance              | ₩ 176,069                               | 130,462               |



- (5) Expenses recognized in profit and loss for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Current service cost        | ₩ 8,862                                 | 7,980                 |
| Net Interest cost           | 124                                     | 206                   |
|                             | ₩ 8,986                                 | 8,186                 |

The above costs are recognized in labor cost or research and development.

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**16. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of March 31, 2015 are as follows:

*(In thousands of foreign currencies)*

| <b>Borrowing date</b> | <b>Hedged item</b>  | <b>Hedged risk</b>                               | <b>Contract type</b>        | <b>Financial institution</b>        | <b>Duration of contract</b>   |
|-----------------------|---|--|-----------------------------|-------------------------------------|-------------------------------|
| Jul. 20, 2007         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)                  | Foreign currency risk                            | Currency swap               | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012         | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)                  | Foreign currency risk                            | Currency swap               | Citibank and five other banks       | Jun. 12, 2012 ~ Jun.12, 2017  |
| Nov. 1, 2012          | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)                  | Foreign currency risk                            | Currency swap               | Barclays and nine other banks       | Nov. 1, 2012~ May. 1, 2018    |
| Jan. 17, 2013         | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)             | Foreign currency risk                            | Currency swap               | BNP Paribas and three other banks   | Jan. 17, 2013 ~ Nov. 17, 2017 |
| Mar. 7, 2013          | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | Foreign currency risk and the interest rate risk | Currency interest rate swap | DBS Bank                            | Mar. 7, 2013 ~ Mar. 7, 2020   |
| Dec. 16, 2013         | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 86,338)                   | Foreign currency risk                            | Currency swap               | Deutsche bank                       | Dec.16, 2013 ~ Apr. 29, 2022  |

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**16. Derivative Instruments, Continued**

- (2) As of March 31, 2015, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

*(In millions of won and thousands of foreign currencies)*

| Hedged item   | Accumulated gain (loss) on valuation of derivatives | Cash flow hedge<br>Tax effect | Fair value  |            | Held for trading purpose | Total    |
|---|---|-------------------------------|---|------------|--------------------------|----------|
|   |   |                               | Accumulated foreign currency translations (gain) loss | Others (*) |                          |          |
| <b>Non-current assets:</b>  |   |                               |   |            |                          |          |
| Structured bond (face value of KRW 100,000)   | ₩   |                               |   |            | 10,442                   | 10,442   |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)                  | (37,223)  | (11,884)                      | (15,257)  | 129,806    |                          | 65,442   |
| <b>Total assets</b>   |   |                               |   |            | ₩                        | 75,884   |
| <b>Non-current liabilities:</b>   |   |                               |   |            |                          |          |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)                  | ₩ (6,683)   | (2,134)                       | (20,620)  |            |                          | (29,437) |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)                  | (19,681)  | (6,284)                       | 10,088  |            |                          | (15,877) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)             | 4,779   | 1,526                         | (81,472)  |            |                          | (75,167) |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | (5,848)   | (1,867)                       | 6,402   |            |                          | (1,313)  |
|   | (4,152)   | (1,325)                       | 4,294   |            |                          | (1,183)  |

Fixed-to-fixed long-term borrowings  
(U.S. dollar denominated bonds face  
value of USD 86,388)

|                          |                    |
|--------------------------|--------------------|
| <b>Total liabilities</b> | <b>₩ (122,977)</b> |
|--------------------------|--------------------|

(\*) Cash flow hedge accounting has been applied to the relevant contracts 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 May 12, 2010.

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

The Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of March 31, 2015 and December 31, 2014 are as follows:

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

|  | March 31, 2015 | December 31, 2014 |
|--|----------------|-------------------|
| Authorized shares                              | 220,000,000    | 220,000,000       |
| Issued shares(*)                               | 80,745,711     | 80,745,711        |
| Share capital                                  |                |                   |
| Common stock                                   | ₩ 44,639       | 44,639            |
| Capital surplus and other capital adjustments: |                |                   |
| Paid-in surplus                                | 2,915,887      | 2,915,887         |
| Treasury stock (Note 18)                       | (2,139,683)    | (2,139,683)       |
| Loss on disposal of treasury stock             | (18,087)       | (18,087)          |
| Hybrid bond (Note 19)                          | 398,518        | 398,518           |
| Others   | (722,741)      | (722,741)         |
|  | ₩ 433,894      | 433,894           |

(\*) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Act. As a result, the Company's outstanding shares have decreased without change in the share capital.

There were no changes in share capital for the three-month period ended March 31, 2015 and the year ended December 31, 2014 and details of shares outstanding as of March 31, 2015 and December 31, 2014 are as follows:

| <i>(In shares)</i> | March 31, 2015 |                |                    | March 31, 2014 |                |                    |
|--------------------|----------------|----------------|--------------------|----------------|----------------|--------------------|
|                    | Issued shares  | Treasury stock | Outstanding shares | Issued shares  | Treasury stock | Outstanding shares |
| Issued shares      | 80,745,711     | 9,809,375      | 70,936,336         | 80,745,711     | 9,809,375      | 70,936,336         |

**18. Treasury Stock**

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

Treasury stock as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won, shares)*

|                  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|------------------|-----------------------|--------------------------|
| Number of shares | 9,809,375             | 9,809,375                |
| Amount           | ₩ 2,139,683           | 2,139,683                |

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**19. Hybrid Bonds**

Hybrid bonds classified as equity as of March 31, 2015 are as follows:

*(In millions of won)*

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

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

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

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

**20. Retained Earnings**

(1) Retained earnings as of March 31, 2015 and December 31 2014 are as follows:

*(In millions of won)*

|   | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| Appropriated:                               |                |                   |
| Legal reserve                               | ₩ 22,320       | 22,320            |
| Reserve for research & manpower development | 87,300         | 151,534           |
| Reserve for business expansion              | 9,671,138      | 9,476,138         |
| Reserve for technology development          | 2,616,300      | 2,416,300         |

|                |              |            |
|----------------|--------------|------------|
|                | 12,397,058   | 12,066,292 |
| Unappropriated | 297,610      | 930,498    |
|                | ₩ 12,694,668 | 12,996,790 |

## (2) Legal reserve

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

## (3) Reserve for research &amp; manpower development

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



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**21. Reserves**

(1) Details of reserves, net of taxes, as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Unrealized fair value of available-for-sale financial assets | ₩ 120,057             | 145,106                  |
| Unrealized fair value of derivatives                         | (68,808)              | (78,208)                 |
|  | ₩ 51,249              | 66,898                   |

(2) Changes in reserves for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

|                            | <b>For the three-month period ended March 31, 2015</b>                              |   |              |
|----------------------------|---|---|--------------|
|                            | <b>Unrealized<br/>fair value of<br/>available-for-sale<br/>financial<br/>assets</b> | <b>Unrealized<br/>fair value of<br/>derivatives</b> | <b>Total</b> |
| Balance at January 1, 2015 | ₩ 145,106   | (78,208)  | 66,898       |
| Changes                    | (33,046)  | 12,401  | (20,645)     |
| Tax effect                 | 7,997   | (3,001)   | 4,996        |
| Balance at March 31, 2015  | ₩ 120,057   | (68,808)  | 51,249       |

*(In millions of won)*

|                            | <b>For the three-month period ended March 31, 2014</b>                              |   |              |
|----------------------------|---|---|--------------|
|                            | <b>Unrealized<br/>fair value of<br/>available-for-sale<br/>financial<br/>assets</b> | <b>Unrealized<br/>fair value of<br/>derivatives</b> | <b>Total</b> |
| Balance at January 1, 2014 | ₩ 211,209   | (40,033)  | 171,176      |

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|                           |   |          |          |          |
|---------------------------|---|----------|----------|----------|
| Changes                   |   | (55,798) | 5,766    | (50,032) |
| Tax effect                |   | 13,503   | (1,395)  | 12,108   |
| Balance at March 31, 2014 | ₩ | 168,914  | (35,662) | 133,252  |

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**22. Other Operating Expenses**

Details of other operating expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>              | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Other Operating Expenses:</b>         |   |                       |
| Communication expenses                   | ₩ 9,583                                 | 11,192                |
| Utilities                                | 49,281                                  | 46,125                |
| Taxes and dues                           | 4,393                                   | 4,767                 |
| Repair                                   | 38,474                                  | 41,443                |
| Research and development                 | 48,883                                  | 51,104                |
| Training                                 | 5,740                                   | 6,216                 |
| Bad debt for accounts receivable - trade | 7,265                                   | 3,995                 |
| Other                                    | 10,484                                  | 25,519                |
|  | ₩ 174,103                               | 190,361               |

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

Details of other non-operating income and expenses for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                                      | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Other Non-operating Income:</b>                               |   |                       |
| Gain on disposal of property and equipment and intangible assets | ₩ 71                                    | 112                   |
| Reversal of allowance for doubtful accounts                      | 2,154                                   |                       |
| Others   | 3,161                                   | 14,911                |
|  | ₩ 5,386                                 | 15,023                |
| <b>Other Non-operating Expenses:</b>                             |   |                       |
|  | ₩ 1,172                                 | 1,563                 |

|  |                 |               |
|--|-----------------|---------------|
| Loss on disposal of property and equipment and intangible assets |                 |               |
| Donations  | 5,446           | 7,979         |
| Bad debt for accounts receivable other                           |                 | 2,971         |
| Others(*)  | 24,909          | 17,356        |
|  | <b>₩ 31,527</b> | <b>29,869</b> |

(\*) Others for the three-month periods ended March 31, 2015 and 2014 primarily consists of penalties amounting to ₩24.4 billion and ₩16.7 billion, respectively.

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**24. Finance Income and Costs**

- (1) Details of finance income and costs for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Finance Income:</b>   |   |                       |
| Interest income  | ₩ 5,695                                 | 6,828                 |
| Dividends  | 54,423                                  | 9,628                 |
| Gain on foreign currency transactions                                  | 2,176                                   | 3,998                 |
| Gain on foreign currency translations                                  | 145                                     | 499                   |
| Gain relating to financial assets at fair value through profit or loss |   | 1,067                 |
| Gain on disposal of long-term investment securities                    | 1,336                                   | 4,916                 |
| Gain on settlement of derivatives                                      |   | 119                   |
| Gain on valuation of derivatives                                       | 1,729                                   |                       |
|  | ₩ 65,504                                | 27,055                |

| <i>(In millions of won)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| <b>Finance Costs:</b>   |   |                       |
| Interest expense  | ₩ 61,226                                | 63,899                |
| Loss on foreign currency transactions                                       | 4,649                                   | 3,635                 |
| Loss on foreign currency translations                                       | 269                                     | 19                    |
| Loss on disposal of long-term investment securities                         | 2                                       | 1                     |
| Loss relating to financial assets at fair value through profit or loss      | 331                                     |                       |
| Loss relating to financial liabilities at fair value through profit or loss | 1,951                                   | 5                     |
|   | ₩ 68,428                                | 67,559                |

- (2) Details of interest income included in finance income for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                           | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest income on cash equivalents and deposits      | ₩ 1,815                                 | 3,546                 |
| Interest income on installment receivables and others | 3,880                                   | 3,282                 |
|   | ₩ 5,695                                 | 6,828                 |

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

- (3) Details of interest expense included in finance costs for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>                        | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest expense on bank overdrafts and borrowings | ₩ 3,029                                 | 4,335                 |
| Interest expense on debentures                     | 47,303                                  | 47,158                |
| Others   | 10,894                                  | 12,406                |
|  | ₩ 61,226                                | 63,899                |

- (4) Details of impairment losses for financial assets for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>              | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Bad debt for accounts receivable - trade | ₩ 7,265                                 | 3,995                 |
| Bad debt for accounts receivable - other |   | 2,971                 |
|  | ₩ 7,265                                 | 6,966                 |

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**25. Income Tax Expense**

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

**26. Earnings per Share**

## (1) Basic earnings per share

- 1) Basic earnings per share for the three-month periods ended March 31, 2015 and 2014 are calculated as follows:

| <i>(In millions of won, shares)</i>                  | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Profit for the period                                | ₩ 295,786                               | 153,533               |
| Weighted average number of common shares outstanding | 70,936,336                              | 70,936,336            |
| Basic earnings per share (In won)                    | ₩ 4,170                                 | 2,164                 |

- 2) The weighted average number of common shares outstanding for the three-month periods ended March 31, 2015 and 2014 are calculated as follows:

| <i>(In shares)</i>                                   | <b>For the three-month period ended</b> |                       |
|--|---|-----------------------|
|  | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Outstanding common shares                            | 80,745,711                              | 80,745,711            |
| Weighted average number of treasury stocks           | (9,809,375)                             | (9,809,375)           |
| Weighted average number of common shares outstanding | 70,936,336                              | 70,936,336            |



(2) Diluted earnings per share

For the three-month periods ended March 31, 2015 and 2014, there were no potentially dilutive shares. Therefore, diluted earnings per share for the three-month periods ended March 31, 2015 and 2014 are the same as basic earnings per share.

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**27. Categories of Financial Instruments**

(1) Financial assets by categories as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                                     | Financial assets at fair value through profit or loss | March 31, 2015                      |                       |  | Total     |
|-------------------------------------|---|-------------------------------------|-----------------------|--|-----------|
|                                     |   | Available-for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item |           |
| Cash and cash equivalents           | ₩   |                                     | 143,307               |  | 143,307   |
| Financial instruments               |   |                                     | 143,069               |  | 143,069   |
| Short-term investment securities    |   | 257,105                             |                       |  | 257,105   |
| Long-term investment securities(*1) | 7,486   | 579,762                             |                       |  | 587,248   |
| Accounts receivable - trade         |   |                                     | 1,550,930             |  | 1,550,930 |
| Loans and other receivables(*2)     |   |                                     | 580,029               |  | 580,029   |
| Derivative financial assets         | 10,442  |                                     |                       | 65,442   | 75,884    |
|                                     | ₩ 17,928  | 836,867                             | 2,417,335             | 65,442   | 3,337,572 |

*(In millions of won)*

|                                     | Financial assets at fair value through profit or loss | December 31, 2014                   |                       |  | Total     |
|-------------------------------------|---|-------------------------------------|-----------------------|--|-----------|
|                                     |   | Available-for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item |           |
| Cash and cash equivalents           | ₩   |                                     | 248,311               |  | 248,311   |
| Financial instruments               |   |                                     | 143,069               |  | 143,069   |
| Short-term investment securities    |   | 197,161                             |                       |  | 197,161   |
| Long-term investment securities(*1) | 7,817   | 600,980                             |                       |  | 608,797   |
| Accounts receivable - trade         |   |                                     | 1,559,281             |  | 1,559,281 |
| Loans and other receivables(*2)     |   |                                     | 575,597               |  | 575,597   |

|                             |          |         |           |        |           |
|-----------------------------|----------|---------|-----------|--------|-----------|
| Derivative financial assets | 8,713    |         |           | 59,015 | 67,728    |
|                             | ₩ 16,530 | 798,141 | 2,526,258 | 59,015 | 3,399,944 |

(\*1) Long-term investment securities were designated as financial assets at fair value through profit of loss since the embedded derivative (conversion right option), which should be separated from the host contract, could not be separately measured.

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

(1) Financial assets by categories as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(\*2) Details of loans and other receivables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                           | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---------------------------|-----------------------|--------------------------|
| Short-term loans          | ₩ 70,633              | 67,989                   |
| Accounts receivable other | 307,763               | 305,990                  |
| Accrued income            | 6,820                 | 6,354                    |
| Long-term loans           | 34,177                | 38,457                   |
| Guarantee deposits        | 160,636               | 156,807                  |
|                           | ₩ 580,029             | 575,597                  |

(2) Financial liabilities by categories as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b>   |   |   |              |
|--|---|---|---|--------------|
|  | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> | <b>Total</b> |
| Derivative financial liabilities         | ₩   |   | 122,977   | 122,977      |
| Borrowings                               |   | 342,931   |   | 342,931      |
| Debentures (*1)                          | 112,317   | 4,846,388   |   | 4,958,705    |
| Accounts payable - other and others (*2) |   | 2,635,772   |   | 2,635,772    |
|  | ₩ 112,317   | 7,825,091   | 122,977   | 8,060,385    |

*(In millions of won)*

|  | <b>December 31, 2014</b>  |   |   |              |
|--|---|---|---|--------------|
|  | <b>Financial<br/>liabilities<br/>at<br/>fair value<br/>through<br/>profit or<br/>loss</b> | <b>Financial<br/>liabilities<br/>measured at<br/>amortized<br/>cost</b> | <b>Derivative<br/>financial<br/>instruments<br/>designated<br/>as hedged<br/>item</b> | <b>Total</b> |
| Derivative financial liabilities         | ₩   |   | 130,889   | 130,889      |
| Borrowings                               |   | 292,280   |   | 292,280      |
| Debentures (*1)                          | 110,365   | 4,744,502   |   | 4,854,867    |
| Accounts payable - other and others (*2) |   | 2,582,608   |   | 2,582,608    |
|  | ₩ 110,365   | 7,619,390   | 130,889   | 7,860,644    |

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

(2) Financial liabilities by categories as of March 31, 2015 and December 31, 2014 are as follows, Continued:

(\*1) Bonds classified as financial liabilities at fair value through profit or loss as of March 31, 2015 and December 31, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.

(\*2) Details of accounts payable and other payables as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|  | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|--|-----------------------|--------------------------|
| Accounts payable - other                   | ₩ 1,466,153           | 1,086,485                |
| Withholdings                               |                       | 3                        |
| Accrued expenses                           | 475,583               | 615,488                  |
| Current installments of long-term payables |                       |                          |
| - other                                    | 118,358               | 189,389                  |
| Long-term payables - other                 | 542,125               | 657,001                  |
| Other non-current liabilities              | 33,553                | 34,242                   |
|  | <b>₩ 2,635,772</b>    | <b>2,582,608</b>         |

**28. Financial Risk Management**

## (1) Financial risk management

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

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

## 1) Market risk

(i) Currency risk

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

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For the three-month periods ended March 31, 2015 and 2014

**28. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

Monetary foreign currency assets and liabilities as of March 31, 2015 are as follows:

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

|        | Assets             |                | Liabilities        |                |
|--------|--------------------|----------------|--------------------|----------------|
|        | Foreign currencies | Won equivalent | Foreign currencies | Won equivalent |
| USD    | 50,337             | ₩ 55,607       | 1,472,503          | ₩ 1,627,115    |
| EUR    | 15,015             | 18,004         |                    |                |
| JPY    | 34,852             | 321            |                    |                |
| AUD    |                    |                | 298,655            | 252,543        |
| CHF    |                    |                | 299,059            | 341,756        |
| Others | 167                | 176            | 314                | 92             |
|        |                    | ₩ 74,108       |                    | ₩ 2,221,506    |

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 16)

As of March 31, 2015, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:



*(In millions of won)*

|        |   | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|--------|---|----------------------------|----------------------------|
| USD    | ₩ | 5,249                      | (5,249)                    |
| EUR    |   | 1,767                      | (1,767)                    |
| JPY    |   | 32                         | (32)                       |
| Others |   | 8                          | (8)                        |
|        | ₩ | 7,056                      | (7,056)                    |

## (ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of March 31, 2015, available-for-sale equity instruments measured at fair value amounts to ₩553,629 million.

## (iii) Interest rate risk

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

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

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For the three-month periods ended March 31, 2015 and 2014

**28. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 1) Market risk, Continued

## (iii) Interest rate risk, Continued

The Company's interest rate risk arises from floating-rate borrowings and payables. As of March 31, 2015, floating-rate debentures amount to ₩331,500 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (See Note 16). If interest rate only increases (decreases) by 1%, income before income taxes for the three-month period ended March 31, 2015 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

## 2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|   | <b>March 31, 2015</b> | <b>December 31, 2014</b> |
|---|-----------------------|--------------------------|
| Cash and cash equivalents                             | ₩ 143,277             | 248,281                  |
| Financial instruments                                 | 143,069               | 143,069                  |
| Available-for-sale financial assets                   | 8,490                 | 8,648                    |
| Accounts receivable trade                             | 1,550,930             | 1,559,281                |
| Loans and receivables                                 | 580,029               | 575,597                  |
| Derivative financial assets                           | 75,884                | 67,728                   |
| Financial assets at fair value through profit or loss | 7,486                 | 7,817                    |
|   | ₩ 2,509,165           | 2,610,421                |

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

For the three-month period ended March 31, 2015, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of March 31, 2015.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 24.

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Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**28. Financial Risk Management, Continued**

(1) Financial risk management, Continued

## 3) Liquidity risk

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

Contractual maturities of financial liabilities as of March 31, 2015 are as follows:

*(In millions of won)*

|   | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash<br/>flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5 years</b> | <b>More than 5<br/>years</b> |
|---|----------------------------|---------------------------------------|-----------------------------|--------------------|------------------------------|
| Borrowings(*1)                          | ₩ 342,931                  | 352,808                               | 264,426                     | 55,537             | 32,845                       |
| Debentures(*1)                          | 4,958,705                  | 6,161,748                             | 446,350                     | 3,065,830          | 2,649,568                    |
| Accounts payable - other and others(*2) | 2,635,772                  | 2,708,977                             | 2,036,981                   | 550,877            | 121,119                      |
|   | ₩ 7,937,408                | 9,223,533                             | 2,747,757                   | 3,672,244          | 2,803,532                    |

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

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

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

As of March 31, 2015, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

*(In millions of won)*

|             | <b>Carrying<br/>amount</b> | <b>Contractual<br/>cash<br/>flows</b> | <b>Less than<br/>1 year</b> | <b>1 - 5<br/>years</b> | <b>More than 5<br/>years</b> |
|-------------|----------------------------|---------------------------------------|-----------------------------|------------------------|------------------------------|
| Assets      | ₩ 65,442                   | 70,425                                | 8,497                       | 34,131                 | 27,797                       |
| Liabilities | (122,977)                  | (127,972)                             | (15,752)                    | (111,777)              | (443)                        |
|             | ₩ (57,535)                 | (57,547)                              | (7,255)                     | (77,646)               | 27,354                       |

(2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2014.

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

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For the three-month periods ended March 31, 2015 and 2014

**28. Financial Risk Management, Continued**

## (2) Capital management, Continued

Debt-equity ratio as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

|                   | <b>March 31,<br/>2015</b> | <b>December 31, 2014</b> |
|-------------------|---------------------------|--------------------------|
| Liability         | ₩ 9,240,171               | 9,170,241                |
| Equity            | 13,224,450                | 13,542,221               |
| Debt-equity ratio | 69.87%                    | 67.72%                   |

## (3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of March 31, 2015 are as follows:

*(In millions of won)*

|  | <b>Carrying<br/>amount</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--|----------------------------|----------------|----------------|----------------|--------------|
| <b>Financial assets that can be measured at fair value</b> |                            |                |                |                |              |
| Financial assets at fair value through profit or loss      | ₩ 17,928                   |                | 10,442         | 7,486          | 17,928       |
| Derivative financial assets                                | 65,442                     |                | 65,442         |                | 65,442       |
| Available-for-sale financial assets                        | 553,629                    | 465,667        | 47,105         | 40,857         | 553,629      |
|  | ₩ 636,999                  | 465,667        | 122,989        | 48,343         | 636,999      |

**Financial assets that cannot be measured at fair value**

|   |   |           |  |  |
|---|---|-----------|--|--|
| Cash and cash equivalents(*1)             | ₩ | 143,307   |  |  |
| Available-for-sale financial assets(*1,2) |   | 283,238   |  |  |
| Accounts receivable trade and others(*1)  |   | 2,130,959 |  |  |
| Financial instruments(*1)                 |   | 143,069   |  |  |
|   | ₩ | 2,700,573 |  |  |

**Financial liabilities that can be measured at fair value**

|  |   |         |         |         |
|--|---|---------|---------|---------|
| Financial liabilities at fair value through profit or loss | ₩ | 112,317 | 112,317 | 112,317 |
| Derivative financial liabilities                           |   | 122,977 | 122,977 | 122,977 |
|  | ₩ | 235,294 | 235,294 | 235,294 |

**Financial liabilities that cannot be measured at fair value**

|   |   |           |           |           |
|---|---|-----------|-----------|-----------|
| Borrowings                              | ₩ | 342,931   | 345,491   | 345,491   |
| Debentures                              |   | 4,846,388 | 5,275,925 | 5,275,925 |
| Accounts payable - other and others(*1) |   | 2,635,772 |           |           |
|   | ₩ | 7,825,091 | 5,621,416 | 5,621,416 |

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Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**28. Financial Risk Management, Continued**

(3) Fair value, Continued

- 2) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of December 31, 2014 are as follows:

*(In millions of won)*

|  | Carrying<br>amount | Level 1 | Level 2 | Level 3 | Total   |
|--|--------------------|---------|---------|---------|---------|
| <b>Financial assets that can be measured at fair value</b> |                    |         |         |         |         |
| Financial assets at fair value through profit or loss      | ₩ 16,530           |         | 8,713   | 7,817   | 16,530  |
| Derivative financial assets                                | 59,015             |         | 59,015  |         | 59,015  |
| Available-for-sale financial assets                        | 586,675            | 490,741 | 47,002  | 48,932  | 586,675 |
|  | ₩ 662,220          | 490,741 | 114,730 | 56,749  | 662,220 |

**Financial assets that cannot be measured at fair value**

|   |             |  |  |  |  |
|---|-------------|--|--|--|--|
| Cash and cash equivalents(*1)             | ₩ 248,311   |  |  |  |  |
| Available-for-sale financial assets(*1,2) | 211,466     |  |  |  |  |
| Accounts receivable trade and others(*1)  | 2,134,878   |  |  |  |  |
| Financial instruments(*1)                 | 143,069     |  |  |  |  |
|   | ₩ 2,737,724 |  |  |  |  |

**Financial liabilities that can be measured at fair value**

|  |           |  |         |  |         |
|--|-----------|--|---------|--|---------|
| Financial liabilities at fair value through profit or loss | ₩ 110,365 |  | 110,365 |  | 110,365 |
| Derivative financial liabilities                           | 130,889   |  | 130,889 |  | 130,889 |
|  | ₩ 241,254 |  | 241,254 |  | 241,254 |

**Financial liabilities that cannot be measured at fair value**



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|   |             |           |           |
|---|-------------|-----------|-----------|
| Borrowings                              | ₩ 292,280   | 300,048   | 300,048   |
| Debentures                              | 4,744,502   | 5,103,527 | 5,103,527 |
| Accounts payable - other and others(*1) | 2,582,608   |           |           |
|   | ₩ 7,619,390 | 5,403,575 | 5,403,575 |

(\*1) Does not include fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts are closed to the reasonable approximate fair values.

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

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**28. Financial Risk Management, Continued**

## (3) Fair value, Continued

Fair value of the financial instruments that are traded in an active market (available-for-sale financial assets, financial liabilities at fair value through profit or loss, etc.) is measured based on the bid price at the end of the reporting date.

The Company uses various valuation methods for valuation of fair value of financial instruments that are not traded in an active market. Fair value of available-for-sale securities is determined using the market approach methods and financial assets through profit or loss are measured using the option pricing model. In addition, derivative financial contracts and long-term liabilities are measured using the present value methods. Inputs used to such valuation methods include swap rate, interest rate, and risk premium, and the Company performs valuation using the inputs which are consistent with natures of assets, liabilities being evaluated.

Interest rates used by the Company for the fair value measurement as of March 31, 2015 are as follows:

|                           | <b>Interest rate</b> |
|---------------------------|----------------------|
| Derivative instruments    | 1.70 ~ 2.03%         |
| Borrowings and Debentures | 2.11 ~ 2.17%         |

- 3) There have been no transfers from Level 2 to Level 1 for the three-month period ended March 31, 2015 and changes of financial assets classified as Level 3 for the three-month period ended March 31, 2015 are as follows:

(In millions of won)

|   | <b>Balance<br/>at<br/>January 1</b> | <b>Loss for the<br/>period</b> | <b>Other<br/>comprehensive<br/>loss</b> | <b>Balance at<br/>March 31</b> |
|---|-------------------------------------|--------------------------------|---|--------------------------------|
| Financial assets at fair value through profit or loss | ₩ 7,817                             | (331)                          |   | 7,486                          |
| Available-for-sale financial assets                   | 48,932                              |                                | (8,075)                                 | 40,857                         |





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For the three-month periods ended March 31, 2015 and 2014

**29. Transactions with Related Parties**

(1) List of related parties

| <b>Relationship</b>         | <b>Company</b>   |
|-----------------------------|--|
| Ultimate Controlling Entity | SK Holding Co., Ltd.   |
| Subsidiaries                | SK Planet Co., Ltd. and 38 others(*)   |
| Joint ventures              | Dogus Planet, Inc. and four others   |
| Associates                  | SK hynix Inc. and 50 others  |
| Affiliates                  | The Ultimate Controlling Entity's investor using the equity method and the Ultimate Controlling Entity's subsidiaries and associates, etc. |

(\*) As of March 31, 2015, subsidiaries of the Company are as follows:

| <b>Company</b>                          | <b>Ownership<br/>percentage (%)</b> | <b>Types of business</b>                   |
|---|-------------------------------------|--|
| SK Telink Co., Ltd.                     | 83.5                                | Telecommunication and MVNO service         |
| M&Service Co., Ltd.                     | 100.0                               | Data base and internet website service     |
| SK Communications Co., Ltd.             | 64.6                                | Internet website services                  |
| Stonebridge Cinema Fund                 | 56.0                                | Investment association                     |
| Commerce Planet Co., Ltd.               | 100.0                               | Online shopping mall operation agency      |
| SK Broadband Co., Ltd.                  | 50.6                                | Telecommunication services                 |
| K-net Culture and Contents Venture Fund | 59.0                                | Investment association                     |
| Fitech Focus Limited Partnership II     | 66.7                                | Investment association                     |
| Open Innovation Fund                    | 98.9                                | Investment association                     |
| PS&Marketing Corporation                | 100.0                               | Communications device retail business      |
| Service Ace Co., Ltd.                   | 100.0                               | Customer center management service         |
| Service Top Co., Ltd.                   | 100.0                               | Customer center management service         |
| Network O&S Co., Ltd.                   | 100.0                               | Base station maintenance service           |
| BNCP Co., Ltd.                          | 100.0                               | Internet website services                  |
| Icon Cube Holdings Co., Ltd.            | 100.0                               | Investment association                     |
| Icon Cube Co., Ltd.                     | 100.0                               | Internet website services                  |
| SK Planet Co., Ltd.                     | 100.0                               | Telecommunication service                  |
| Neosnetworks Co., Ltd.                  | 66.7                                | Guarding of facilities                     |
| IRIVER LIMITED                          | 49.0                                | Manufacturing of media and sound equipment |

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|  |       |  |
|--|-------|--|
| iriver Enterprise Ltd.                     | 100.0 | Management of Chinese subsidiary                         |
| iriver America Inc.                        | 100.0 | Sales and marketing in North America                     |
| iriver Inc.                                | 100.0 | Sales and marketing in North America                     |
| iriver China Co., Ltd.                     | 100.0 | Manufacturing of MP3,4 and domestic sales in China       |
| Dongguan iriver Electronics Co., Ltd.      | 100.0 | Manufacturing of e-book and domestic sales in China      |
| Groovers JP Ltd.                           | 100.0 | Digital music contents sourcing and distribution service |
| SK Telecom China Holdings Co., Ltd.        | 100.0 | Investment association                                   |
| SK Global Healthcare Business Group., Ltd. | 100.0 | Investment association                                   |
| SK Planet Japan, K. K.                     | 100.0 | Digital contents sourcing service                        |
| SKT Vietnam PTE. Ltd.                      | 73.3  | Telecommunication service                                |
| SK Planet Global PTE. Ltd.                 | 100.0 | Digital contents sourcing service                        |
| SKP GLOBAL HOLDINGS PTE. LTD.              | 100.0 | Investment association                                   |
| SKT Americas, Inc.                         | 100.0 | Information gathering and consulting                     |
| SKP America LLC.                           | 100.0 | Digital contents sourcing service                        |
| YTK Investment Ltd.                        | 100.0 | Investment association                                   |
| Atlas Investment                           | 100.0 | Investment association                                   |
| Technology Innovation Partners, L.P.       | 100.0 | Investment association                                   |
| SK Telecom China Fund I L.P.               | 100.0 | Investment association                                   |
| shopkick Management Company, Inc.          | 95.2  | Investment association                                   |
| shopkick, Inc.                             | 100.0 | Mileage-based online transaction application development |

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Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**29. Transactions with Related Parties, Continued**

## (2) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The compensation given to such key management for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>       | <b>For the three-month period ended</b> |                       |
|-----------------------------------|---|-----------------------|
|                                   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Salaries                          | ₩ 1,357                                 | 1,339                 |
| Provision for retirement benefits | 121                                     | 568                   |
|                                   | <b>₩ 1,478</b>                          | <b>1,907</b>          |

Compensation for the key management includes salaries, non-monetary salaries and contributions made in relation to the pension plan.

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For the three-month periods ended March 31, 2015 and 2014

**29. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three-month periods ended March 31, 2015 and 2014 are as follows:

*(In millions of won)*

| Scope                              | Company                                 | For the three-month period ended March 31, 2015 |                              |                                       |       |     |
|------------------------------------|---|---|------------------------------|---------------------------------------|-------|-----|
|                                    |   | Operating revenue and others                    | Operating expense and others | Acquisition of property and equipment | Loans |     |
| Ultimate Controlling Entity        | SK Holding Co., Ltd.(*1)                | ₩ 141   | 177,730                      |                                       |       |     |
| Subsidiaries                       | SK Broadband Co., Ltd.                  | 25,694  | 127,393                      | 23                                    |       |     |
|                                    | PS&Marketing Corporation                | 2,627   | 245,663                      | 67                                    |       |     |
|                                    | Network O&S Co., Ltd.                   | 903   | 31,999                       |                                       |       |     |
|                                    | SK Planet Co., Ltd.                     | 11,170  | 131,948                      | 80                                    |       |     |
|                                    | SK Telink Co., Ltd.                     | 14,054  | 7,932                        |                                       |       |     |
|                                    | Service Ace Co., Ltd.                   | 1,898   | 39,934                       |                                       |       |     |
|                                    | Service Top Co., Ltd.                   | 1,983   | 38,884                       |                                       |       |     |
|                                    | Others                                  | 3,029   | 7,891                        | 78                                    |       |     |
|                                    |   |   | 61,358                       | 631,644                               | 248   |     |
|                                    | Associates                              | F&U Credit information Co., Ltd.                | 449                          | 11,513                                |       |     |
| HappyNarae Co., Ltd.               |   | 18  | 415                          | 320                                   |       |     |
| SK hynix Inc.(*2)                  |   | 46,589  | 5                            |                                       |       |     |
| SK Wyverns Baseball Club Co., Ltd. |   | 281   | 9,606                        |                                       |       |     |
| KEB HanaCard Co., Ltd.             |   | 5,432   | 5,386                        |                                       |       |     |
| Others                             |   | 115   | 1,723                        |                                       | 500   |     |
|                                    |   |   | 52,884                       | 28,648                                | 320   | 500 |
| Other                              | SK Engineering & Construction Co., Ltd. | 3,374   | 996                          | 27,544                                |       |     |
|                                    | SK C&C Co., Ltd.                        | 1,221   | 58,126                       | 28,722                                |       |     |
|                                    | SK Networks Co., Ltd.                   | 940   | 3,908                        |                                       |       |     |
|                                    |   | 2,298   | 2,878                        | 4                                     |       |     |



|                               |                      |                  |                |               |            |
|-------------------------------|----------------------|------------------|----------------|---------------|------------|
| SK Networks service Co., Ltd. |                      |                  |                |               |            |
|                               | SK Telesys Co., Ltd. | 49               | 2,214          | 39,117        |            |
|                               | Others               | 2,547            | 5,836          | 306           |            |
|                               |                      | 10,429           | 73,958         | 95,693        |            |
| <b>Total</b>                  |                      | <b>₩ 124,812</b> | <b>911,980</b> | <b>96,261</b> | <b>500</b> |

(\*1) Operating expense and others include ₩171,053 million of dividends declared by the Company.

(\*2) Operating revenue and others include ₩43,830 million of dividend income accrued by the Company.

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**29. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three-month periods ended March 31, 2015 and 2014 are as follows, Continued:

*(In millions of won)*

| Scope                       | Company                                 | For the three-month period ended March 31, 2014 |                              |                                       |
|-----------------------------|---|---|------------------------------|---------------------------------------|
|                             |   | Operating revenue and others                    | Operating expense and others | Acquisition of property and equipment |
| Ultimate Controlling Entity | SK Holding Co., Ltd.(*1)                | ₩ 111   | 177,489                      |                                       |
| Subsidiaries                | SK Broadband Co., Ltd.                  | 30,954  | 120,116                      |                                       |
|                             | PS&Marketing Corporation                | 2,695   | 160,114                      |                                       |
|                             | Network O&S Co., Ltd.                   | 649   | 31,887                       |                                       |
|                             | SK Planet Co., Ltd.                     | 12,863  | 141,332                      | 500                                   |
|                             | SK Telink Co., Ltd.                     | 11,219  | 7,673                        | 3                                     |
|                             | Service Ace Co., Ltd.                   | 1,750   | 36,930                       |                                       |
|                             | Service Top Co., Ltd.                   | 1,642   | 39,691                       |                                       |
|                             | Others                                  | 1,106   | 7,471                        |                                       |
|                             |   | 62,878  | 545,214                      | 503                                   |
| Associates                  | F&U Credit information Co., Ltd.        | 478   | 11,664                       |                                       |
|                             | HappyNarae Co., Ltd.                    |   | 903                          | 767                                   |
|                             | SK hynix Inc.                           | 1,859   | 879                          |                                       |
|                             | SK Wyverns Baseball Club Co., Ltd.      | 3   | 8,921                        |                                       |
|                             | HanaSK Card Co., Ltd.(*2)               | 6,971   | 768                          |                                       |
|                             | Others                                  | 76  | 1,743                        |                                       |
|                             |   | 9,387   | 24,878                       | 767                                   |
| Other                       | SK Engineering & Construction Co., Ltd. | 626   |                              |                                       |

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|              |                       |                 |                |               |
|--------------|-----------------------|-----------------|----------------|---------------|
|              | SK C&C Co., Ltd.      | 686             | 56,312         | 23,356        |
|              | SK Networks Co., Ltd. | 4,823           | 143,940        | 2             |
|              | SK Networks Service   |                 | 4,879          |               |
|              | SK Telesys co., Ltd   | 56              | 268            | 21,199        |
|              | Others                | 2,246           | 4,851          | 357           |
|              |                       | 8,437           | 210,250        | 44,914        |
| <b>Total</b> |                       | <b>₩ 80,813</b> | <b>957,831</b> | <b>46,184</b> |

(\*1) Operating expense and others include ₩171,053 million of dividends declared by the Company.

(\*2) During the year ended December 31, 2014, due to the merger with Hana SK Card Co., Ltd., the Company's associate and KEB Card Co., Ltd., the Company exchanged 57,647,058 shares of Hana SK Card Co., Ltd., with 67,627,587 shares of the surviving company, KEB HanaCard Co., Ltd.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**29. Transactions with Related Parties, Continued**

(4) Account balances as of March 31, 2015 and December 31, 2014 are as follows:

*(In millions of won)*

| Scope                       | Company                         | Loans  | March 31, 2015   |  |
|-----------------------------|---------------------------------|--------|--|--|
|                             |                                 |        | Accounts receivable<br>Accounts<br>receivable - trade,<br>and others | Accounts payable<br>Accounts<br>payable<br>trade, and others |
| Ultimate Controlling Entity | SK Holding Co., Ltd.            | ₩      | 127  | 171,053  |
| Subsidiaries                | SK Broadband Co., Ltd.          |        | 4,131  | 11,069   |
|                             | PS&Marketing Corporation        |        | 2,449  | 69,004   |
|                             | Network O&S Co., Ltd.           |        | 35   | 1,376  |
|                             | SK Planet Co., Ltd.             |        | 11,113   | 34,165   |
|                             | SK Telink Co., Ltd.             |        | 10,360   | 4,917  |
|                             | Service Ace Co., Ltd.           |        |  | 19,939   |
|                             | Service Top Co., Ltd.           |        | 14   | 18,525   |
|                             | Others                          |        | 9,768  | 12,213   |
|                             |                                 |        |  | 37,870   |
| Associates                  | HappyNarae Co., Ltd.            |        |  | 351  |
|                             | SK hynix Inc.                   |        | 46,295   |  |
|                             | SK Wyverns Baseball Club., Ltd. | 1,221  | 102  |  |
|                             | Wave City Development Co., Ltd. | 1,700  | 38,412   |  |
|                             | Daehan Kanggun BcN Co., Ltd.    | 22,147 |  |  |
|                             | KEB HanaCard Co., Ltd.          |        | 1,701  | 3,769  |
|                             | Others                          |        | 477  | 1,525  |
|                             |                                 | 25,068 | 86,987   | 5,645  |

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|              |   |                |                |
|--------------|---|----------------|----------------|
| Other        | SK Engineering and Construction Co., Ltd. | 2,643          | 46             |
|              | SK C&C Co., Ltd.                          | 1,364          | 36,428         |
|              | SK Networks Co., Ltd.                     | 1,660          | 1,157          |
|              | SK Networks Services Co., Ltd.            | 3              | 215            |
|              | SK Telesys Co., Ltd.                      | 257            | 222            |
|              | SK Innovation Co., Ltd.                   | 1,374          | 136            |
|              | Others                                    | 791            | 2,301          |
|              |   | 8,092          | 40,505         |
| <b>Total</b> | <b>₩ 25,068</b>                           | <b>133,076</b> | <b>388,411</b> |

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**29. Transactions with Related Parties, Continued**

(4) Account balances as of March 31, 2015 and December 31, 2014 are as follows, Continued:

*(In millions of won)*

| Scope                           | Company                  | Loans                | December 31, 2014  |  |         |
|---------------------------------|--------------------------|----------------------|--|--|---------|
|                                 |                          |                      | Accounts receivable<br>Accounts<br>receivable - trade,<br>and others | Accounts payable<br>Accounts<br>payable<br>trade, and others |         |
| Ultimate Controlling Entity     | SK Holding Co., Ltd.     | ₩                    | 89   |  |         |
| Subsidiaries                    | SK Broadband Co., Ltd.   |                      | 3,236  | 38,432   |         |
|                                 | PS&Marketing Corporation |                      | 566  | 101,431  |         |
|                                 | Network O&S Co., Ltd.    |                      | 1,201  | 12,981   |         |
|                                 | SK Planet Co., Ltd.      |                      | 9,711  | 51,991   |         |
|                                 | SK Telink Co., Ltd.      |                      | 10,306   | 5,665  |         |
|                                 | Service Ace Co., Ltd.    |                      | 436  | 19,972   |         |
|                                 | Service Top Co., Ltd.    |                      | 887  | 21,386   |         |
|                                 | Others                   |                      | 8,890  | 15,042   |         |
|                                 |                          |                      |  | 35,233   | 266,900 |
|                                 | Associates               | HappyNarae Co., Ltd. |  |  | 1,780   |
| SK hynix Inc.                   |                          |                      | 2,561  | 2,763  |         |
| SK Wyverns Baseball Club., Ltd. |                          | 1,221                |  |  |         |
| Wave City Development Co., Ltd. |                          | 1,200                | 38,412   |  |         |
| Daehan Kanggun BcN Co., Ltd.    |                          | 22,147               |  |  |         |
| KEB HanaCard Co., Ltd.          |                          |                      | 1,867  | 38   |         |
|                                 | Others                   |                      | 226  | 840  |         |
|                                 |                          | 24,568               | 43,066   | 5,421  |         |

|       |   |        |         |
|-------|---|--------|---------|
| Other | SK Engineering and Construction Co., Ltd. | 359    | 3,754   |
|       | SK C&C Co., Ltd.                          | 718    | 76,777  |
|       | SK Networks Co., Ltd.                     | 2,027  | 4,766   |
|       | SK Networks Services Co., Ltd.            | 12     | 2,004   |
|       | SK Telesys Co., Ltd.                      | 282    | 1,559   |
|       | SK Innovation Co., Ltd.                   | 1,510  | 247     |
|       | Others                                    | 2,592  | 6,108   |
|       |   | 7,500  | 95,215  |
| Total | ₩ 24,568                                  | 85,888 | 367,536 |

- (5) As of March 31, 2015, there are no collateral or guarantee provided by related parties to the Company, nor by the Company to related parties.
- (6) For the year ended December 31, 2014, the company acquired convertible bonds with a face value of ₩5,000 million and ₩6,000 million, respectively, from IRIVER LIMITED and Health Connect Co., Ltd. at the face value. The convertible bonds are included in long-term investment securities.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**30. Sale and Leaseback**

For the year ended December 31, 2012, the Company disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is accounted for as an operating lease and the gain on disposal of the property and equipment is recognized as profit or loss.

The Company recognized lease payment of ₩3,635 million and ₩3,519 million, respectively, in relation to the above operating lease agreement and lease revenue of ₩2,385 million and ₩2,258 million, respectively, in relation to the sublease agreement for the three-month periods ended March 31, 2015 and 2014. Future lease payments and lease revenue from the above operating lease agreement and sublease agreement are as follows:

| <i>(In millions of won)</i> | <b>Lease payments</b> | <b>Lease revenue</b> |
|-----------------------------|-----------------------|----------------------|
| Less than 1 year            | ₩ 14,648              | 9,540                |
| 1~5 years                   | 55,167                | 31,878               |
| More than 5 years           | 37,438                | 18,557               |
|                             | ₩ 107,253             | 59,975               |



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**31. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i>   | <b>For the three-month period ended</b> |                       |
|---|---|-----------------------|
|   | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Interest income   | ₩ (5,695)                               | (6,828)               |
| Dividends   | (54,423)                                | (9,628)               |
| Gain on foreign currency translations                                       | (145)                                   | (499)                 |
| Gain relating to financial assets at fair value through profit or loss      |   | (1,067)               |
| Gain on disposal of long-term investment securities                         | (1,336)                                 | (4,916)               |
| Gain on settlement of derivatives   |   | (119)                 |
| Gain on disposal of property and equipment and intangible assets            | (71)                                    | (112)                 |
| Reversal of allowance for doubtful accounts                                 | (2,154)                                 |                       |
| Gain on valuation of derivatives  | (1,729)                                 |                       |
| Interest expenses   | 61,226                                  | 63,899                |
| Loss on foreign currency translations                                       | 269                                     | 19                    |
| Loss relating to financial assets at fair value through profit or loss      | 331                                     |                       |
| Loss relating to financial liabilities at fair value through profit or loss | 1,951                                   | 5                     |
| Loss on disposal of long-term investments securities                        | 2                                       | 1                     |
| Income tax expense  | 82,975                                  | 42,411                |
| Provision for retirement benefits   | 8,986                                   | 8,186                 |
| Depreciation and amortization   | 552,839                                 | 536,529               |
| Bad debt for accounts receivable trade                                      | 7,265                                   | 3,995                 |
| Loss on disposal of property and equipment and intangible assets            | 1,172                                   | 1,563                 |
| Bad debt for accounts receivable other                                      |   | 2,971                 |
| Other expenses  | 5,769                                   | 994                   |
|   | ₩ 657,232                               | 637,404               |



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

**31. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                       |
|-----------------------------|---|-----------------------|
|                             | <b>March 31, 2015</b>                   | <b>March 31, 2014</b> |
| Accounts receivable trade   | ₩ 1,115                                 | 37,533                |
| Accounts receivable other   | 60,816                                  | 69,009                |
| Advance payments            | (49,261)                                | (30,558)              |
| Prepaid expenses            | 3,411                                   | 6,016                 |
| Inventories                 | (2,348)                                 | (5,666)               |
| Long-term prepaid expenses  | 66                                      | (6)                   |
| Guarantee deposits          | (2,593)                                 | 8,779                 |
| Accounts payable other      | (142,517)                               | (458,039)             |
| Advanced receipts           | 8,132                                   | 5,388                 |
| Withholdings                | (194,850)                               | 73,428                |
| Deposits received           | (4,351)                                 | (98)                  |
| Accrued expenses            | (141,100)                               | 31,275                |
| Unearned revenue            | (32,891)                                | (24,169)              |
| Provisions                  | (11,325)                                | (7,497)               |
| Long-term provisions        | (9,181)                                 | 19,984                |
| Plan assets                 | 2,434                                   | 1,801                 |
| Retirement benefit payment  | (2,960)                                 | (8,810)               |
| Others                      | 1,257                                   | 2,069                 |
|                             | <b>₩ (516,146)</b>                      | <b>(279,561)</b>      |

- (3) Significant non-cash transactions for the three-month periods ended March 31, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | <b>For the three-month period ended</b> |                           |
|-----------------------------|---|---------------------------|
|                             | <b>March 31,<br/>2015</b>               | <b>March 31,<br/>2014</b> |
|                             | <b>₩ 171,048</b>                        | <b>100,036</b>            |

|   |          |           |
|---|----------|-----------|
| Transfer of other property and equipment and others to construction in progress                             |          |           |
| Transfer of construction in progress to property and equipment and intangible assets                        | 286,151  | 408,256   |
| Decrease of accounts payable - other related to acquisition of property and equipment and intangible assets | (80,922) | (239,438) |

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SIGNATURES

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

**SK Telecom Co., Ltd.**

(Registrant)

By: /s/ Yong Hwan Lee  
(Signature)

Name: Yong Hwan Lee  
Title: Chief Financial Officer

Date: June 15, 2015